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the new way at SAFEWAY

1. The Growth of Safeway

Top Stockbroker Triggered Safeway's Profit Rebound

Every stockbroker knows that while many of the figures in a company's financial statement are significant, one statistic—the profit—is the real payoff. Because one stockbroker—the nation's biggest—gave such an evaluation to the profit entry when it sagged in Safeway's statement for a few years, Safeway's financial report for 1957 is certain to be an impressive one.

The annual report, to be issued in a few months, will undoubtedly show a consolidation of gains made in 1956. In that year, Safeway turned a greater portion of its sales into profit than any other of the top five supermarket chains. The feat was all the more remarkable since its profit-to-sales ratio the year before was the lowest of all the 26 chains which made their results public.

In the 1957 report, which will show Safeway for the first time going over the $2 billion sales mark, the 2,040-unit chain will probably post an after-taxes profit of about 1.48 per cent on sales, a further improvement on its heady gain in 1956.

The stockbroker who triggered the chain reaction that turned a doleful profit performance into one that led the big-chain league was the late Charles E. Merrill, the founder, the directing partner, the largest owner, as well as the first name of Merrill Lynch, Pierce, Fenner & Beane (in March, Smith took the place of Beane in the title, sometimes condensed in Wall Street vernacular to "We the People," and "The Thundering Herd").

Mr. Merrill, who started his firm in 1914 with $4,000, and who became a self-made millionaire when he was 29, engineered the brokerage firm's growth to its No. 1 position among all the nation's brokerage firms, symbolized by its total of 178 partners.

During his brokerage career, Mr. Merrill became co-founder in 1926 of Safeway Stores. His imprint was left on the grocery chain industry in other ways as well. Three years later, he was instrumental in underwriting the basic securities of Winn & Lovett. Subsequently, William R. Lovett of Jacksonville became a limited partner in the brokerage business and more recently the firm became Winn-Dixie Stores, ranking seventh among all supermarket chains. National Tea, fifth largest chain, also benefited from financing by Mr. Merrill's Wall Street house.

Having provided the wherewithal for a chain's development, Mr. Merrill never was one to leave it on its own. Merrill Lynch, hardly known for blowing its own horn, once said in a statement: "If Charlie Merrill had not sallied forth against the chain store taxes in the mid-30s, there might be no chain stores left—certainly as they are today."

Held 5-6% of Safeway's Outstanding Stock

Mr. Merrill's interest amounted to between 5 and 6 per cent of Safeway's outstanding stock.

This stock has been held, since his death, in trust principally for religious and educational institutions, the largest recipients under the will being Amherst College, of which Mr. Merrill was an alumnus, and Deerfield Academy, of which his oldest son was a graduate.

Although a nominal proportion of the total issue, Mr. Merrill's holdings then constituted the largest single bloc. Probably a larger single holding is now represented by shares accumulated by the Safeway employee fund for retirement. The fund is operated entirely separate from the company by a trusteeship, and assets of the fund cannot revert to Safeway.

With the biggest bloc of stock, Mr. Merrill thus had it within his power to take action when he felt it had become necessary in mid-1955.

Post-war earnings, which had been climbing every year, had gone into reverse in 1951 and 1952, when the net dropped so sharply that there were no earnings retained after shareholders were paid. An impressive improvement in the net was registered in 1953 over 1952, but 1954 and 1955 earnings again went on the decline. Thus, Safeway had enjoyed only one year since 1950 when earnings were not declining from the level of the previous year.

Safeway's president, Lingan A. Warren, was a member of Mr. Merrill's brokerage house staff in 1931 when he was fingered to supervise the welding of Safeway and MacMarr Co., which operated some 1,300 markets in the West. Three years after that merger, Mr. Warren became president of Safeway.

After 21 years of Mr. Warren's leadership, at Safeway, the big Wall Street executive who had started the chain, and then made Mr. Warren its head, called an end to the reign.

The coup de grace came, it is understood, in a meeting Mr. Warren had with Mr. Merrill in New York. The meeting was brief and to the point. Safeway earnings were unsatisfactory; there was no trend toward improvement. Mr. Warren resigned immediately afterwards effective at the start of October, 1955.

Chose Magowan To Head Up Company

Another biographical note by Merrill Lynch on its founder had said: "One of Charlie's outstanding assets is his ability to find or develop people to carry out and expand his original ideas." The time had come to put this asset to work.

The man Mr. Merrill chose to set Safeway back on course was his son-in-law, Robert A. Magowan. The selection was based on considerations beyond paternalism. Mr. Magowan had proved himself in seven years with R. H. Macy & Co., and as sales manager of Merrill Lynch.

At Macy's, Mr. Magowan rose from a member of the training squad to merchandise manager of inexpensive ready-to-wear departments at the age of 31. It was the following year while with an advertising agency, that he married Mr. Merrill's daughter, Doris.

From 1935 to 1938, Mr. Magowan was at Safeway and spent six months each at several tasks. These included working as a store clerk, working on the loading docks at a Safeway warehouse, serving as administrative observer at zone and division levels and finally in the headquarters administration office as assistant to Mr. Warren, the man he later succeeded.

The turnabout in the Safeway profit trend was a tribute to the judicious choice by Mr. Merrill, who died in October, 1956, a year after the change at the chain's helm, and also to Mr. Magowan's ability to see what was wrong and his knowledge of what to do to right it.

For the first 36 weeks of 1955, with Mr. Warren still calling the turns, net earnings had been down to $6.3 million from $8.8 million the year before. In the last 16 weeks of 1955, with Mr. Magowan as board chairman, profits were up from $3.2 million to $5 million.

During the first full year of the new administration, the gains were consolidated, to the satisfaction of all the stockholders as they bid the stock up to an all-time high while a majority of supermarket chain issues declined during 1956. Profits rose to 1.28 per cent of sales, moving from 1955's spot as lowest of all reporting chains to above the average in 1956.

The 1957 report is expected to show sales for the year of about $2,117,000,000. The gross profit, before taxes, will run about $39.5 million with the net profit after taxes at $31.5 million. This will probably again give Safeway the top profit ratio among the biggest chains.

Chain's Origins Traced Back tc 1915

It was nevertheless an awareness that the relatively low profit on sales of food chains did not necessarily preclude a satisfactory profit on investment that encouraged Mr. Magowan's father-in-law to establish the chain.

Safeway's origins can be traced back to 1915, when M. B. Skaggs founded his own market in American Falls, Idaho, at the age of 27 His operations grew: "In those days, you could open a pretty good grocery store for $3,000 and a big one for $5,000, and our goal was $100,000 annual sales per store, with a 15 per cent gross and a 5 per cent net profit, so it was not unusual to make a 100 per cent return on the investment."

With his brothers, he expanded his chain to Portland, Ore., and, in 1922, incorporated as Skaggs United Stores. In 1925, Mr. Skaggs' stores had the largest average annual volume of any chain in the nation, $84,000 per market and he became president of what was then the National Chain Store Association.

At this time, W. R. Weldon held control of the Sam Selig stores in Los Angeles and when Mr. Selig stepped out of management, Mr. Weldon sold the firm to Merrill Lynch. These stores were renamed Safeway and the chain came into existence.

Mr. Skaggs related the next step as follows in a Safeway house organ.

"Merrill Lynch had quite a few grocery stores and no proven management. They asked Mr. Weldon for his opinion and Weldon told them that M. B. Skaggs was their man."

Mr. Merrill was very excited about the profit figures Mr. Skaggs had been attaining and soon the big merger with Skaggs was set and Safeway was on its way as a major chain.

THEY STARTED SAFEWAY: The two principal engineers of the mergers out of which Safeway Stores emerged in 1926 were M. B. Skaggs (left), who headed his own chain and then became Safeway's president and later board chairman after his firm was absorbed by Safeway, and the late Charles E. Merrill (right), who directed the financial arrangements.

Safeway's High Current Assets Reflect Depot-to-Store Distances

In relation to the amount of sales and profits they produce, Safeway's current assets run higher than most other top chains' corresponding figures.

This is one of the principal findings derived from a comparison of the balance sheets of the nation's five largest supermarket chains. The figures are based on 1956 operations. A later comparison will not be possible until the end of June when A&P issues its annual report.

Safeway's relatively high current assets entry apparently reflects the situation that prevails for all distributors whose markets are somewhat distant from the nearest warehouse. The figure is bulked by the larger inventories that must be carried under this circumstance.

The comparison with the other chains is most pronounced in relation to A&P, the overwhelming majority of whose stores are clustered in thickly populated areas in the East. A&P's average market, whose sales are slightly higher than Safeway's average market, has an inventory of only $57,926, while the corresponding Safeway figure is $75,599.

Safeway's markets are concentrated in the western United States and western Canada. More than 80 per cent of its sales are obtained in the roomy 19 States west of the Mississippi and the five western provinces of Canada.

Thus, mile for mile and market for market, Safeway units are located at much greater distances from the central warehouses than in the East and the parts of the Midwest served by the other top chains. This requires a greater inventory for each Safeway market all along the pipeline.

Trucks that rumble between Safeway's San Francisco division warehouse in Richmond, Cal., and the chain's market in Eureka, Cal., go 295 miles; it's 300 miles to the Arcata, Cal., store and 307 to the unit in Lovelock, Nev. The meat warehouse in San Francisco is 23 miles farther away. Each store gets a shipment at least once a week.

Because of this situation, of which the California arrangement is typical, Safeway stores must carry larger in-store inventories and devote more total space to back-room storage than other chains.

Safeway's higher inventory per store may also reflect Safeway's long-standing antipathy toward direct shipment to stores by manufacturers. This policy may be on the way out.

While others among the top five chains do their own processing, as does Safeway, processing inventories are included in the inventory item on the balance sheet and could play a part in the comparison.

Even with the factors that remain constant, Safeway was able to reduce its per store inventory during the first full year of its new administration under Robert A. Magowan, president and chairman of the board.

While sales and profits per store increased, the average inventory was reduced from $78,380 in 1955 to $75,599 in 1956. This is all the more significant in that the other four largest chains all reported larger per store inventories in 1956 than the year before, presumably reflecting not only the higher sales all achieved but also somewhat higher food prices and the wider variety of merchandise that was being stocked. A&P's inventory per store, for example, went up from $53,470 to $57,926.

That Safeway's profit on each dollar of sales, a ratio that was well under par fo several years earlier, was restored to a point in line with other leading chain's results, is also made evident in the comparison of balance sheet items.

Leading entries from the balance sheet of the top five supermarket chains in their fiscal 1956 years are as follows:

	A&P	Safeway	Kroger	American	National Tea
Net sales	$4,481,852,081	$1,989,305,295	$1,492,552,233	$779,872,712	$617,635,555
Profit before taxes	90,375,616	53,361,450	34,515,450	20,069,865	14,937,800
Inventory	238,074,677	149,761,023	112,438,022	55,273,991	44,091,029
Current assets	395,481,424	238,191,133	162,206,201	85,861,831	69,478,873
Land, building and equipment	137,170,031	149,731,828	95,528,379	57,808,289	41,121,406
Number of stores	4,110	1,981	1,476	903	761

These entries, on a per store average basis, are as follows:

	A&P	Safeway	Kroger	American	National Tea
Net sales	1,090,475	1,004,192	1,011,214	863,646	811,610
Profit before taxes	21,989	26,937	23,384	22,226	19,629
Inventory	57,926	75,599	76,178	61,212	57,938
Current assets	96,224	120,238	109,896	95,085	91.299
Land, building and equipment	33,375	75,584	64,721	64,018	54,036

Safeway Held 1936 Share of Volume Through 2 Decades

Although its sales zoomed from $346 million in 1936 to almost $2 billion in 1956, Safeway's proportion of the total grocery store business has remained at the same figure — right to the tenth of a percentage point.

In 1936, Safeway accounted for 5.1 per cent of all sales through grocery stores in the United States. In 1956, the corresponding figure also was 5.1 per cent.

Thus, Safeway's rate of increase in volume has been maintained at exactly the same rate as the increase in total grocery store sales in the nation, which are up from $6.8 billion in 1936 to $39 billion in 1956.

Since this period has seen vigorous expansion in supermarket operation by Safeway, the conclusion is apparent that it takes a lot of growth to keep up with the industry's over-all progress.

An analysis of sales of the nation's three largest chains, the only ones in the $1-billion-or-over sales category, indicates several factors that are more impressive indicators of Safeway gains.

If the base of comparison with 1956 figures, for example, were either 1945 or 1950, the 5.1 per cent of total grocery store sales would constitute a movement upward from a 4.6 per cent figure.

Also, the Safeway position that has remained constant from 1936 to 1956 compares with a loss in percentage of total grocery store sales by the only larger chain, A&P, from 13.2 per cent in 1936 to 11.4 per cent in 1956.

Similarly, the percentage of total grocery store business done by the nation's three biggest chains has slipped from 21.7 per cent in 1936 to 20.3 per cent in 1956. Thus, Safeway has prospered in sales at a rate ahead of the three-chain total.

Over the 20-year period, which starts with a year when the supermarket movement began gathering momentum, A&P sales have increased by 4.94 times, Safeway's by 5.75 times and Kroger's by 6.16 times.

Over the past five years, the analysis shows gains of 32.1 per cent for A&P, 36.8 per cent for Safeway and 49.7 per cent for Kroger.

	'Big 3' Sales by Years			Total Grocery Store Sales	Percentage of 'Big 3' Sales to Total Grocery Store Sales			
	A&P	Safeway	Kroger		A&P	Safeway	Kroger	3-Chain Total
1956	$4,481,852,081	$1,989,305,295	$1,492,552,233	$39,179,000,000	11.4	5.1	3.8	20.3
1955	4,304,990,650	1,932,243,202	1,219,474,812	36,900,000,000	11.7	5.2	3.3	20.2
1954	4,139,966,250	1,813,516,636	1,108,694,168	35,000,000,000	11.8	5.2	3.2	20.2
1953	3,989,103,161	1,751,819,708	1,058,608,651	33,000,000,000	11.9	5.3	3.2	20.4
1952	3,755,687,313	1,639,095,212	1,051,849,935	32,200,000,000	11.7	5.1	3.3	20.1
1951	3,392,541,200	1,454,642,996	997,086,223	29,816,000,000	11.4	4.9	3.3	19.6
1950	3,179,792,146	1,209,993,762	861,242,000	26,412,000,000	12.0	4.6	3.3	19.9
1949	2,904,578,427	1,197,826,953	807,739,000	24,800,000,000	11.7	4.8	3.3	19.8
1945	1,434,850,000	664,771,549	463,465,566	14,593,000,000	9.8	4.6	3.2	17.6
1940	1,115,774,000	399,322,122	258,115,025	8,169,000,000	13.7	4.9	3.2	21.8
1936	907,370,000	346,178,061	242,273,498	6,850,000,000	13.2	5.1	3.5	21.7

2. The Divisional Level

More Power for Safeway's Division Heads Hikes Profits

Soon after Robert A. Magowan became chairman of the board at Safeway in October, 1955, big changes were made at the division level. Mr. Magowan's objective: A simply constructed retail network with ultimate responsibility clearly defined at each level. The results were to give each division manager more direct authority than he had ever enjoyed.

The first task was to untangle the maze of echeons and channels that characterized Safeway's operations. To do this, Mr. Magowan drew a straight line on the corporate chart which led from the president's office to the division head. This eliminated the necessity through a circuitous route involving one or more vice-presidents.

His second move was to create divisions from larger zones, merge smaller zones together where feasible.

Safeway s 16 United States divisions were increased to 20 divisions with only two zones as multiple-zone operations. Safeway Canada was also simplified.

The change eliminated the "management on top of management" that made Safeway charts of authority look like a stack of waffles.

Thus, through two organizational moves, Mr. Magowan had 23 division managers solely responsible to him. His next step was definition of authority to divisions.

His directions were clear and to the point: Operate the division as though it were your own group of stores. Produce results equal or better than your competition. He added few qualifications to this dictum.

Policy? Mr. Magowan recalled all policy books. He has not issued one since he assumed command.

For the first time, division heads were free to wheel and deal as quickly and adroitly as their competitors. Zone managers were given more freedom; store managers could make more decisions. If competitors snowed the area with stamps, Safeway added them. If any sponsored brands were a drag on the operation, division managers threw them out. Safeway units blossomed with aisle displays. Pricing, merchandising and advertising procedures were out of headquarters hands for the first time.

Mr. Magowan did make one thing clear: The goal for 1956 was higher earnings. That's where the division was expected to shine. The results were phenomenal. Net earnings zoomed in a 12-month period better than 150 per cent in at least one division; earnings for the chain were upped from $13,621,803 to $25,406,310.

Each division and zone was connected with a direct teletype system to the president's office. In minutes, Mr. Magowan can now have a conversation with a division on a major matter and a decision. Divisions and zones are able to communicate with each other, singly or as a group.

It has given the company a flexibility and maneuverability it never enjoyed before.

Mr. Magowan was unwilling to let the teletype become his only means of mass communication with divisions. He called a meeting of all division heads—the first in the history of the company. Division managers met, some of them for the first time, to exchange ideas. Mr. Magowan has now slated these meetings as a regular part of every division schedule. Similar meetings were called for zone and district heads. Now, Safeway is set to call a meeting of its top managers in each district.

What lies ahead for Safeway's divisions? As the company expands, more divisions will be added. Where feasible, zones will become divisions and districts will be identified as zones. There has been no serious discussion of Safeway setting up each division manager as a vice-president or president, as A&P and a few other big chains have done, but the company has not completely ruled out this possibility.

The following are reports on how Safeway has been faring in the various division areas along the Pacific Coast.

SAN DIEGO: Division Competition Called Good, Honest, Aggressive

"Good, clean, honest and aggressive competition!" That's the way regional chain and independent supermarket operators describe the San Diego Division of Safeway Stores. This favorable comment is noteworthy in the light of reports the division of about 33 supermarkets does from 25 to 28 per cent of the total grocery volume in this area, leading all other chains.

According to trade sources, San Diego now accounts for more than $239 million annually in food sales, and nearly 100 of the leading supermarkets account for 70 to 75 per cent of this business. There are about 400 food stores in this city and environs 125 miles south of Los Angeles.

Indicative of Safeway's opinion of the burgeoning San Diego market, which reportedly draws from a population of more than 800,000, is the broad plan of expansion which has kept pace with the chain's volume growth. In 1958, Safeway plans to open six new markets. Locations and square-footage are as follows: Fairmount Avenue and Landis Street, 21,000; Washington and Dove Streets, 19,000; 68th Street and Imperial Avenue, 16,000; Pacific Beach, 24,000; Linda Vista, 20,000, and Morena Boulevard and Clairmont Drive, 20,000.

It is also noteworthy that while the San Diego operation had previously been a part of Safeway's Los Angeles division, about 1½ years ago, the southernmost operation was separated and placed on full division status.

Closely following Safeway in competition for the food dollar here is the Food Basket division of Lucky Stores with eight units. Mayfair Markets with seven stores; and De Falco Markets with three large units. Most of these major volume operations as well as many other food merchants here say Safeway has overcome one of its greatest weaknesses in the past year. That weakness appeared to be "long-distance management," they say. At present, market operators report Safeway's division manager and even district and store managers have much more autonomy in meeting competitive conditions within a given community.

Safeway does not use radio, uses very limited television, but is one of the leading advocates of newspaper advertising. Each Thursday the chain runs a double truck ad in metropolitan dailies and early-in-the-week ads are also run on Monday, plus community and shopping paper coverage. The firm has no premium tape or trading stamp program here.

One of the most striking aspects of Safeway's operation here is the complete cooperation of this retailing giant with other food merchants. Although it is understandable that Safeway would stand united with other retailers in union negotiations, this trend to cooperation has passed far beyond that stage so that independent and regional chains have come to rely on Safeway for unity in other programs as well.

An example of this dependability is the successful check-cashing charge program which was instituted here a few years ago. With Safeway doing the bulk of the business, such a program naturally leaned heavily on what this chain would decide to do. Acknowledging that the charge was reasonable, Safeway went along with a program which had been approved by the majority of leading volume operations in the city.

Similar cooperation has been forthcoming in achieving a basis for profitable operations for all merchants here along the lines of State anti-"loss leader law" which forbids selling below 6 per cent of invoice cost. Many other California marketing areas look with envy on San Diego where net profits have proved healthier for the past few years. It is this profit factor that has attracted several Los Angeles area chains to look into possible expansion in San Diego.

LOS ANGELES: Wins New Volume From Customers, Competitors Respect

Safeway Stores' Los Angeles division is winnning new volume from customers and new respect from competitors as the result of its aggressive program started last year to up sales and profits.

Although Safeway has one of its largest divisions in this southern California area, embracing more than 220 markets, it has been hardpressed, according to trade circles, to keep the operation on the profitable side of the ledger. Because of its great number of stores here, Safeway has been able to cut about 10 to 12 per cent of the total grocery volume pie for itself. However, unlike in many other areas of the nation, including San Diego just 125 miles south, Safeway does not dominate the volume picture.

It is characteristic of this marketing area that no single chain dominates the scene. The closest competitor of Safeway appears to be Ralphs Grocery Co., which operates 36 units and reportedly does about $120 million annually. It is estimated Safeway does about $250 million in southern California.

Safeway completed an ambitious new store building program in 1957, placing more new markets into competition than any other chain. Eighteen new supermarkets were in operation in 1957, while the chain continued its policy of closing smaller obsolete units. About ten new markets will be opened in 1958.

Despite this ambitious new store program, Safeway reportedly finds it difficult to maintain its proportion of volume since southern California population growth has been so extensive over the past 10 years, and regional chains and independents have been proportionately aggressive in new building.

Most trade sources are agreed that Safeway has improved its volume position in 1957. This was done partially through a Save-A-Tape premium program which was reportedly highly unpopular with competitors, but which forced many of them into similar plans. Safeway has since abandoned this plan and embarked on an advertising campaign pointing up lower shelf prices.

The national chain is one of the leading newspaper advertisers in metropolitan dailies, using double-page ads frequently on weekends, and single pages for early week ads. In addition, the firm relies heavily on suburban newspapers.

Southern California market competitors are carefully watching the division for local evidence of the new profit-conscious campaign inspired by Safeway president Robert A. Magowan. They point to several factors as indicative of top management's bearing down on operational costs and greater concentration on food retailing.

In recent weeks, for example, Safeway informally approached Certified Grocers of California, Ltd., retailer-owned cooperative wholesaler, on the basis that Certified service about 50 of its stores in the San Fernando Valley area with dry groceries. Although this request was rejected by Certified, the mere fact that it had been made was considered extremely significant and proof that top management considers cutting distribution costs more important than the pride of central distribution. It was reported Safeway had made the approach because its own distribution depot in Los Angeles is considered an inefficient multifloor facility, while Certified will open a new plant in the Valley in February.

Evidence of Safeway's concentration on food retailing is the recent decision to terminate a non-foods discount center in a single 20,000-square-foot market in Bakersfield, Cal. This unit uses about 80 lineal feet of gondola area for merchandising at cut prices such items as TV sets, air conditioners, radios and electric housewares. This was in accord with an earlier pronouncement by D. Barrett Kane, division manager, who had said that non-foods would be merchandised "only as a supplement to our primary purpose in sales — that of foods. We will continue to sell non-foods only where they do not interfere or cut into our efforts in merchandising groceries."

SAN FRANCISCO: One Of Most Aggressive in Area

Safeways' San Francisco division, second largest in the chain, is also becoming one of the most aggressive.

Second only to the Los Angeles division in size, this division has 205 stores in its Bay and Sacramento zones. Sources believe the division is headed for the $200 million volume mark.

While not previously one of Safeway's more profitable operations, the San Francisco division picked up sharply in profits in 1957, it is understood. Competitors said the division has offered more competition in the last year than ever before. Stores are brighter, displays more effective and pricing more flexible than ever before.

Operators said Safeway is now more competitive despite an abrupt change in pricing in the latter part of 1957. Competitors were surprised to note that Safeway was beginning to change its item prices as soon as increases were announced by the manufacturer. Before that time, Safeway sold its warehoused goods at the older price until it had to reorder.

Because of its large warehousing facilities, Safeway was often able to sell at the old price long after other chains were ordering at higher prices. The effect was a continual dampening of competitive profits since the price trend has been generally upward. This move, and other tendencies to raise Safeway's gross margin in this division gave other retailers a chance to raise margins. They were quick to take advantage of it on the chain level, though some independents said they left their prices unchanged.

Safeway here continues to mark down shelf prices as soon as manufacturer declines are announced, competitors said.

This division has a rugged problem in keeping profit margins equal to other divisions. The division covers a section of the State that extends from the Fresno area to the south, to the northern California border, a distance of 500 miles. The division also includes the width of the State in the northern section and parts of Nevada. Store deliveries are costly and demand costlier units. Warehouses must be larger and more accommodating. Retail stores must be constructed to hold greater backroom loads.

The division has kept pace with Safeway's construction and replacement program. While it has fewer units than previously, total square footage is up sharply and volume per square foot has risen appreciably, sources observed. Twenty-one stores are scheduled to open in 1958.

The division is devoting less space to Safeway brands, but continues to stress company brands more than many other divisions. An elimination of many sponsored brand names and products meant less space in stores and ads for these products but remaining Safeway brands are still stressed heavily in promotion.

SEATTLE: Two-to-One Sales Lead Shows Decline in Percentages

Safeway has a two-to-one lead over its next competitor, A&P, in its share of Seattle's total grocery volume, but its percentage has been slipping the last few years, according to an analysis by the Seattle Times Marketing Service.

The Times' surveys indicate that Safeway's percentage of sales in Seattle was 33.8 per cent in 1953; it dropped to 31.3 per cent in 1954; rose slightly to 31.7 per cent in 1955; dropped to 29.9 per cent in 1956, and fell again to 28 per cent last year.

According to the Times, the corporate chains accounted for 62.5 per cent of the volume here last year. This is the breakdown: Safeway, 28 per cent; A&P, 14.1 per cent; Tradewell, 12.1 per cent; Albertson's, 4.9 per cent, and Big Bear, 3.4 per cent.

Groups of independents shared the remainder this way: IGA, 9.3 per cent; Thriftway, 8.1; Foodland, 2.7 per cent; Art's Food Centers, 1.9 per cent; AG, 1 per cent; Food Giant, 1 per cent, and others, 0.8 per cent. "Mom and Pop" groceries share the remaining 12.7 per cent of the over-all total.

While its percentage of the total may have slipped, Safeways' dollar sales may have held up well during this span, since Seattle's population has increased by 52,071 during the last four years, reaching 561,000.

Safeway Sites Listed in 6 Areas

The following table shows the number of supermarket locations operated by Safeway in each of its six major geographical areas and the contribution that each of these areas makes to the total number of locations and total sales of the chain.

This official tabulation by Safeway is as of the end of 1957

	Number of Locations	% of Total Safeway Locations	% of Total Safeway Sales
Pacific Coast	704	34.63	36.76
Rocky Mountains	242	11.90	12.28
Central	348	17.12	14.90
Southwest	203	9.99	10.20
East Coast	366	18.00	17.28
Canada	170	8.36	8.58
Total	2,033	100.00	100.00

Geographical areas comprise the following divisions: Pacific Coast—Seattle, Portland, San Francisco, Los Angeles, San Diego and Spokane; Rocky Mountains—Butte, Salt Lake City and Denver: Central—Omaha, Kansas City, Oklahoma City, Wichita, Little Rock and Tulsa; Southwest—Phoenix, El Paso and Dallas; East Coast—New York and Washington, D. C.; Canada—Vancouver, Winnipeg and Alberta.

Safeway Management Puts Emphasis on Simple, Decentralized Distribution Setup

New Safeway management has meant significant changes in the company's retail distribution structure. Emphasis is on simplicity and decentralization.

Less than three years ago, for example, Safeway's United States operation was comprised of 16 divisions. Five of these divisions oversaw two or more zones. Today, the retail level includes 20 United States divisions. Only two of these divisions are multi-zoned operations. The larger zones were given status and some smaller zones were consolidated.

The San Diego zone, for example, was given full division status. It had been under the Los Angeles division. The Frenso zone, on the other hand, was consolidated into the Sacramento zone, giving the San Francisco division only one outside zone rather than two. The process continues today. The Spokane zone was freed from the Seattle division earlier this month, and now enjoys full division status.

The Safeway Canada operation posed different decentralization problems Zones are smaller and farther apart than most United States zones. Two years ago, Canada Safeway was comprised of two divisions, each with three zones. Last year, Safeway made Vancouver a free-standing division and put the Edmonton and Calgary zones into a newly formed Alberta division.

The Winnipeg division is the only Canadian division unchanged in the last two years. It continues to oversee its own Winnipeg zone as well as the Regina and Saskatoon zones and is the only Safeway division with more than two zones under it. Canada's great distances and sparse population have demanded a difference in structural changes here.

The distance between Winnipeg division headquarters and its Saskatoon zone, for example, is about equal to mileage between New York and Detroit. Saskatoon's nine stores, on the other hand, disallow the probability of making Saskatoon a free-stand division. It is the smallest zone in Safeway's consolidated operation.

Safeway Operations Cross Few A&P Areas

A&P is East and Safeway is West, and never the twain shall meet—or at least only in a few places.

A juxtaposition of maps of the operating areas of the nation's two largest chains (see map on next page) shows only a slight overlapping down the middle of the country and in a total of four pockets along the Atlantic and Pacific Coasts.

A&P, starting from New York in 1859 and moving westward, and Safeway, starting from southern California in 1926 and moving eastward, meet in Texas, Oklahoma, Iowa, Missouri and Kansas, but in several of these there are relatively few stores involved in the conflict of interest.

Similarly, the competition is not severe between them in two of the four coastal pockets. A&P has only a dozen stores in Washington and two dozen in southern California, only a token representation that is said to stem from the chain's desire to justify the "Pacific" in Great Atlantic Pacific Tea Co.

In the eastern area where A&P predominates, however, Safeway is a strong contender in the New York - Connecticut - New Jersey region and in the Virginia-Maryland-District of Columbia region. The Safeway markets are generally only in limited areas of each of these States.

Safeway entered the metropolitan New York area with the purchase of the 498-store Daniel Reeves chain in 1941 and the same year bought National Grocery Co., Jersey City, N. J., which had 350 markets. The two store groups were consolidated into 250 stores in metropolitan New York-New Jersey shortly after the mergers.

Safeway's Washington, D. C., entry came with the purchase of that city's Sanitary Grocery Co., with 429 stores, in 1928, at which time the chain also purchased Eastern Stores, Baltimore, with 67 stores.

The fact that the two leading chains compete directly with each other to such a small degree has led some people to the conclusion that there has been a gentleman's agreement to this effect. However, the geographical origin and the natural pattern of expansion of each are sufficient reasons to explain the development.

North Dakota, the 41st State in population, is the only state in the nation that has not attracted either of the two chains.

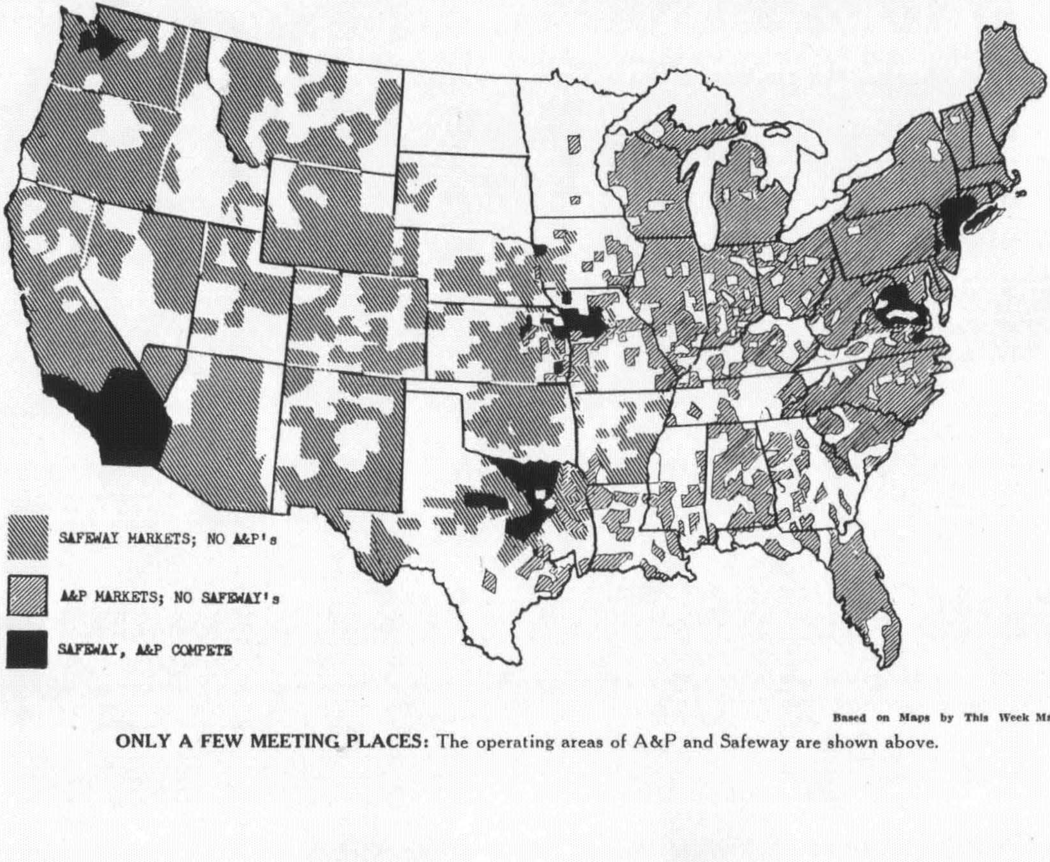
Safeway has 2,040 markets, compared with A&P's total of 4,100.

As of Nov. 30, 1957, the number of markets Safeway operated in each of its warehouse distribution areas follows:

San Francisco, 135; Sacramento, 70; Los Angeles, 215; San Diego, 36; Portland, Ore., 95; Seattle, 105; Spokane, Wash., 44; Butte, Mont., 45; Salt Lake City, 67; Phoenix, Ariz., 43; Denver, 131; El Paso, Tex., 43; Amarillo, Tex., 13; Dallas, 117; Oklahoma City, 44; Wichita, Kan., 45; Omaha, Neb., 88; Kansas City, 83; Tulsa, Okla., 40; Little Rock, Ark., 33; Washington, D. C., 183, and New York, 181.

In Canada, the comparable figures are:

Vancouver, B. C., 60; Edmonton, Alta., 16; Calgary, Alta., 19; Saskatoon, Sask., 9; Regina, Sask., 14; and Winnipeg, Man., 51.



Based on Maps by This Week Magazine

ONLY A FEW MEETING PLACES: The operating areas of A&P and Safeway are shown above.

3. The Area-by-Area Tally

Safeway's Rating High in All Areas

Safeway is a heavyweight in virtually every area where it operates. Generally occupying first or second place in its divisional marketing areas, the nation's second largest chain is rated a competitor to be reckoned with by the chains and independents with which it vies.

In most divisions it is rated as gaining in volume and in share of market in the last year or two.

This trend appears to reflect a quickened tempo throughout the operation and is generally credited to policy and operational changes instituted since Robert A. Magowan, chairman and president, took over the reins two years ago.

At division level, under the grant of local autonomy rather than tight headquarters control, Safeway has moved aggressively to adapt itself to local competitive conditions.

This has been particularly noticeable in the adoption of stamps in the West and Midwest where local division managers have felt they needed to fight fire with fire, that is to counter competitors' stamps with their own.

A quickening pace of new store building, particularly in areas where this activity had tended to be sluggish, has also been noticed. In some areas this activity has already started to bear fruit in a somewhat larger slice of the market. In others, for example New York where 50 stores are planned for this year and next, Safeway is clearly aiming for sizably increased sales in the next few years.

A noteworthy factor in the changes which the trade notes in Safeway's various areas is a group of new division managers. With the creation of divisions from former zones and the promotion of younger men as some of the old-timers have come up for retirement, local decisions are more and more falling into the hands of young Safeway careerists who, after some 20 or more years with the chain, now find themselves in key positions.

The new men, mostly in their early forties, wield an increased authority under the decentralization policy that has shifted practically all operational decisions to the divisional level.

Following are reports from various division areas. It completes the roundup of division area reports begun in last week's installment.

OMAHA: Stamps Put Safeway in Second Place

Safeway's percentage of the total food store sales in 1957 was 27.7 per cent in Omaha, according to the 1957 Omaha World-Herald consumer analysis.

Safeway was second. Hinky Dinky Stores was first with 32.7 per cent of the total.

The analysis is based on a survey of 2,457 families. There are 98,280 families in the area covered, which includes Council Bluffs, Ia. The total area population is 353,808.

Safeway was at the top three or four years ago, but with a slightly lower percentage of the total sales.

Hinky Dinky was second before the introduction of Top Value stamps.

A source close to the supermarket business said Safeway has "good stores and good locations and has kept pace with building of new stores. It has an extensive advertising program, probably outbuys all others in advertising space and time. Safeway maintains a strong competitive pricing situation. Its weaknesses lie in the lack of wide selection and in the absence of merchandise stamps."

SALT LAKE CITY: Run Into Tough Competition

Safeway stores are running into tough competition in the Salt Lake area, bucking two small chains who are promotion and expansion minded.

According to market surveys conducted by area newspapers, Safeway has lost some of the tremendous edge it enjoyed as the area's favorite food markets.

In 1955, according to this survey, 36.8 per cent of the people polled said they bought their groceries from Safeway; in 1956 the percentage dropped to 35.4; and in 1957 the survey showed 32.7 housewives polled as professing a preference for Safeway.

However, this 1957 drop should be qualified because the survey was taken while one competitor had just taken on trading stamps and jumped 10 percentage points. Now Safeway gives Gold Strike stamps.

It will level off this year, it is believed.

Even with the tough competition, Safeway leads the Salt Lake field for supermarkets.

However, Grand Central markets, locally owned, is giving Safeway a fight. Grand Central enjoys several advantages over Safeway. Its stores are open on Sundays, but not for groceries. It has a complete drug, toy, dry goods and related departments. Safeway in this area sticks most of the time to foods, also spot housewares and clothing specials.

Another factor in Safeway's slight slip in the Salt Lake area is that a strong Idaho chain, Albertson's, has entered the market in the past three years, opening large new stores.

Grand Central is by far the largest newspaper advertiser. Safeway and Albertson's are about tied in linage.

Another factor could be that Safeway is undergoing a new building program which calls for the opening of many new supermarkets, and the closing of an almost equal number of small, outmoded outlets.

It is fairly safe to say that Safeway is getting 30 per cent of the food sales in the Salt Lake area, though no actual figures are available.

LINCOLN: Ranks First in Food Sales

Safeway ranked first in Lincoln, Neb., the past year in volume of food sales and has held that position for a number of years. Safeway with eight markets did an estimated $8 to $10 million gross in 1957, according to various qualified sources.

It was estimated that Safeway now does 20 to 25 per cent of the total retail food business in Lincoln. The chain has reportedly shown a gain in each of the past three years. Two large and ultra-modern supers have been opened in that period, replacing smaller stores. Total floor space and off-street parking facilities have been increased by a large margin, despite the fact there is one less Safeway super here than two years ago.

Safeway also ranks first in local newspaper advertising space, averaging well over one full page per week.

IGA with 14 stores is ranked second in total sales and fourth in ad linage.

Thriftway is believed to be third in sales. This group of independent grocers is associated with H. P. Lau Co., Lincoln wholesaler, on a cost-plus basis. It doesn't advertise as a group, although six of these stores are associated for advertising purposes as Community Stores.

Hinky-Dinky, with headquarters in Omaha and one Lincoln super, probably rate fourth in sales and second in linage.

O. P. Skaggs System, a newcomer in the past year with headquarters in Grand Island Neb., has three Lincoln stores and is rated about fifth in sales, third in ad linage.

Price has been Safeway's biggest competitive weapon in past years. Other big operators meet or beat Safeway prices now, but over-all Safeway prices are sufficiently attractive to keep the traffic coming. Large-space advertising, including heavy use of billboards, has been a major factor, along with strategic location, adequate off-street parking and attractive physical layouts.

Safeway was hurt for a time by emphasis placed by many competitors on trading stamps (particularly S&H, Community and Top Value). This has been met effectively, it is said, by promoting the saving of cash register tapes to be redeemed at Safeway stores. Premiums such as electric frying pans, dinner and cookware, are displayed prominently in the various Safeway supers.

Chief weaknesses of Safeway in the area are said to be the limited number of nationally-advertised brands carried, and the fact many Lincoln customers feel independents should be supported in their fight against the chains.

DENVER: Holds Sales Percentage Lead

Safeway leads by far all other food stores in the Denver metropolitan area in percentage of food stores sales captured in the market.

Trade sources estimate that Safeway, with 46 stores in the area, has at least 33 per cent to 35 per cent of the market, with Millers Super Markets, subsidiary of National Tea Co., Chicago, ranking second with 25 stores in the area believed to be doing at least 18 per cent to 22 per cent; King Soopers, with 7 stores, 8 per cent to 10 per cent; and Busley's with 13 stores, 5 per cent to 6 per cent.

Food sales in the area from July 1956 to July 1957 total $237,-470,000; Denver, itself, $161,681,000.

Safeway is listed as the leading chain in a consumer analysis for 1957 which was reportedly a 1.5 per cent sampling of the Denver metropolitan area.

Safeway, itself, in court hearings in 1955, claimed that its sales in the Denver area had been hurt by the trading stamp policy of competitors.

If sales were hurt, they were not hurt to any great extent at that time, sources feel. They believe Safeway has recouped any losses and gone considerably ahead in spite of competing trading stamps.

Safeway still remains the only major chain in this market which does not give stamps. Even independents give trading stamps.

Safeway's strong position is attributed to many factors.

Number one factor in its success, observers feel, is the leadership of Thomas W. Henritze, Denver division manager, who has headed the division since 1935 and celebrated his 50th year in the food business in 1954.

His personal popularity among members of Denver's food industry has exerted great influence in maintaining Safeway's strong position, it is believed.

Trade observers credit him with gathering around him a group of qualified men and giving them ample authority. They all work in a well-coordinated team, it was said. It is a well-organized, well-functioning unit, with lots of strength, according to one source.

In the past year Safeway has made many changes that have greatly aided its position here. These include the shift away from emphasis on private labels, and the shift from complete control in Oakland to more authority at the division level, it was reported.

Another source of strength is Safeway's meats, which sources claim are tops in the area. Great progress has been made in the last two years in the quality of meats thanks to the new $11 million distribution center, with the most up-to-date meat equipment and handling devices.

OKLAHOMA CITY: Fewer, Newer, Larger Units Pay

Using heavy advertising and with fewer but newer and larger stores, Safeway has succeeded in cutting itself a larger slice of the Oklahoma City area food business in the past few years.

According to the Daily Oklahoman and Oklahoman City Times, Safeway with 16 stores in the Oklahoma City area is doing about 20 per cent of the grocery business. About three years ago Safeway had 17½ per cent, according to court statement. The Standard Humpty Dumpty supermarkets with 17 stores does 25 per cent of the business; IGA stores have 36 stores with 15 per cent of the business; Red Bud supermarkets have 14 stores with 6 per cent of the total business; Thrif-T-Wise stores numbering 12 do 4 per cent of the business. This adds up to 95 groups doing 70 per cent of the area volume. The rest includes 402 independents who do 30 per cent of the business. This was as of November, 1957.

Newspaper linage has increased in the last few years and method of newspaper advertising is away from big, black, bold type and there is now more white space showing.

In 1949 Safeway used 155,150 lines in the morning paper (The Daily Oklahoman), 154,964 lines in the evening paper (Oklahoma City Times) and 7,759 lines of color ads in the Sunday paper. In 1956 Safeway used 223,323 lines in the morning paper, 220,563 lines in the evening paper and 6,184 lines in the Sunday paper.

LITTLE ROCK: Sales Lead May Be Overtaken

Competitors and trade sources indicate that while Safeway probably leads in sales volume in the Little Rock and North Little Rock area, there is a chance they may be overtaken by their fast-rising nearest competitor, Kroger.

All sources peg the combined percentage of sales between the two giants at 80 per cent of the market. Estimates on the division of this vary from "pretty even" to Safeway leading 60 per cent to Kroger's 40.

The Associated Wholesale Grocerie of Arkansas, Inc., a new retailer co-op, ranks third.

Kroger's two-year-old Top Value stamp promotion and its latest new store building program are credited with closing what formerly was a wide gap between the two chains. Until 1955, Safeway was rated twice the volume of Kroger.

Suppliers and competitors quickly add, however, that they do not believe Safeway has lost any business and acknowledge that they have probably gained — "but Kroger has gained faster and obtained more of the former independent customers due to their stamps and larger stores," one source said.

Biggest blow to Safeway here was reputed to be Kroger's 1955 stamp program which they indicate they have no intention of discontinuing.

"When it started Safeway was hit hard for a long time," one observer said. "However, six or eight months later, people began to hear that Safeway's prices were lower than their competitors. This 'price impression' had been made by Safeway many years ago and it began having a telling effect on Safeway's sales. They came back strong."

Actually, suppliers estimated, prices are identical on 98 per cent of the merchandise sold by the two.

"Then Safeway started the 'S Days' campaign which promoted its own private labels. With teaser ads in the newspapers and on buses, crowds thronged the stores and cleaned them out continually," the source added. "In addition to this, in March, 1956, they started a register tape plan which also spurred business." In December L. M. Pringle, after three months on the job as division manager, dropped the tape plan.

Both Safeway and Kroger operate 12 stores in the immediate trade area.

A change in Safeway policy was noted by one. "Safeway is changing its attitude some about handling brands in competition with their own labels," he said. "They are getting more liberal and handling items now they would not have handled 15 years ago."

Safeway has also indicated to trade circles that they plan a heavier State expansion program, "although they are pretty closed-mouth about their plans."

Major faults found with Safeway operations here include:

(1) Lag in expansion in the past several years. (2) Suppliers noted that stores are often out of merchandise.

Strengths noted include (1) They are quick to make new-product or price change decisions. (2) minimum of red tape for supplier in getting in specials and getting them distributed to all stores. (3) apparently more stress on a friendly "we're your home town store" atmosphere by Safeway personnel, (4) the "price impression" noted above.

KANSAS CITY: 10% Rise In Sales in Two Years

Safeway Stores gets about one-third of the total food store sales in this area, with 45 stores in the greater Kansas City area, and a total of 81 stores in eastern Kansas and Missouri managed by the Kansas City division.

This percentage of sales represents an increase in the past two years of about 10 per cent. The increase in sales is the result in part of the continuing strong expansion program in this area. During 1957 all 45 stores in the greater Kansas City area were remodeled. In January, 1957, plans for 14 new units to be opened within the year, were announced and all were opened as scheduled.

Safeway has a strong advantage here in the most modern distribution center of any food chain in the area. Built in 1953, the multi-million dollar center includes a meat aging and processing plant and warehouse, a produce processing and pre-packaging unit, grocery warehouse, frozen foods warehouse, perishable goods warehouse.

NEW YORK: Predicates Spurt on 50 New Units

With better than 50 new markets planned this year and next, a $1.5 million remodelling program just completed and the tightening up of operational practices, Safeway's New York division seems to be striving vigorously to improve its position in the area's competitive rankings.

Sales volume, at best an educated guess, is placed by trade observers around the $150 million mark, representing perhaps 4 per cent of the metropolitan area's food store business.

The division's 182 stores comprise 9 per cent of the chain's total of 2,025 units and, according to an unofficial estimate, do approximately 7 per cent of Safeway's total volume. Many of the older markets, particularly in the urban areas, are small stores, some of them converted from former old-style service markets.

Safeway is believed to rank second in volume in the New York market, first place belonging indisputably to A&P with an estimated 12 per cent. Third position is generally ceded to H. C. Bohack Co. which also operates some 180 stores and does around $140 million a year.

The problem of supplying the sprawling division from the Kearny, N. J. distribution center would tax the logistic ingenuity of an Army Quartermaster.

Of the 182 markets, one is in distant Fairless Hills, Pa., one is in equally distant Danbury, Conn., 89 are in New Jersey and 91 in New York. Most distant from the warehouse, 90 miles, is the unit at Riverhead, N.Y. on Long Island.

Traffic-jammed bridges and tunnels and some of the most heavily travelled arteries in the nation lie between Kearny and the Safeway markets.

Doubtless because of this consideration, virtually all the new Safeways will be built as close in to the heart of the urban area—and to the distribution center — as possible.

"I want to use my trucks at their maximum efficiency," Fred E. Rowland, division manager, explained. "If a truck has to stop here and there," he said, touching two spots about a foot apart on a table, "I want it to be able to make deliveries here, here and here," connecting with the same gesture the first two spots with a series of connecting dots.

ALBUQUERQUE: Stamps Increase Popularity

The popularity of Safeway stores in Albuquerque has increased since the chain started issuing Gold Bond trading stamps several months ago.

General feeling is that Safeway is one of the most popular of the chains if not the leader among the big chain groceries here.

For many months Safeway fought against use of the trading stamps and battled its competitors with cash register tape prizes without success.

"We were forced by our competitors to fall in line with the use of the trading stamps," a leading official of Safeway said.

DALLAS: Survey Sees Chain Getting 24% of Business

With strong stress on the fact that the figures are only approximate, the Dallas Morning News research department estimates that Safeway does 24 per cent of the retail grocery business in metropolitan Dallas compared with A&P's estimated 29 per cent. Estimated total sales volume in dollars done by the two chains last year in metropolitan Dallas give Safeway $49,447,440 and A&P $59,-748,990.

Safeway operates some 24 stores in Dallas while A&P operates 25. Each chain has an additional four stores outside of the metropolitan area.

Over the past three or four years, Safeway sales have seen an estimated 4 to 5 per cent increase, according to a reliable source.

Some of the main factors cited as having influenced the chain's standing and increase in sales were the number of stores and types of stores it operates. All Safeway stores are supermarkets and generally on a very large scale.

Last year this division got a new manager, C. A. Bradburn, and chain competitors contacted said some of the weak points they might have cited a year ago do not hold true now. However, other trade sources said one of the biggest weaknesses of the chain could be considered the large amount of private label merchandise it carries. A strong point cited was the progressive and strong advertising and promotions done by Safeway.

Advertising linage in 1957 in Dallas newspapers taken by Safeway and A&P, according to the Dallas Morning News survey, gives Safeway 352,439 lines in the News and 340,172 lines in the Dallas Times Herald; A&P, 372,132 lines in the News and 373,228 lines in the Times Herald.

4. Management Policy

Policy Book Recall Typifies Flexibility

One of the first acts of Robert A. Magowan as chief executive officer of Safeway was to recall the chain's policy booklets. The booklets, whose 52 pages set forth "the guiding principles which provide consistency of action," had been distributed in the past to all Safeway employes.

This was not a book-burning demonstration by Mr. Magowan nor was it necessarily a withdrawal from the policies of the previous administration. Rather, it was a dramatic gesture to indicate that policy is too flexible to remain in booklet form. It was a step to stress that policy is everchanging, and often dictated as much by competitive pressures and changing conditions as by "the man upstairs."

The booklets, which covered all major policies from charitable donations to direct store deliveries, have never been reissued. Division managers still maintain large black loose-leaf binders which contain policies, and, occasionally, policy changes. However, the black books do not serve as a company bible—but as a guide.

Two points that summarize Mr. Magowan's approach to policy-setting might be listed in this importance:

1. When a policy places Safeway in an abnormal or burdensome situation, it will be dropped until that situation is solved.

2. Safeway is not going to be contentious. Problem-solving through litigation is out wherever possible. Tirades against trade practices are not advantageous.

Bearing these points in mind, the division manager was told to operate his stores as though they were his own. The division manager was cautioned, however, that the company as a whole must be considered before a division makes a change in policy.

The changes have created what might be termed a "flow upward" of ideas. The store manager now has freer-wheeling on what to order and what to display. In the past, he was told how to display an item, where and when to display it. Today, he determines this. If his display is extremely successful, it is conceivable that his district manager may suggest it to the entire district. From there, the zone may pick it up. If it is still successful, it may be passed on to headquarters where it may end up in a recommendation to all divisions.

A fact overshadowed by the changes over the last two years is that many of the major directional principles of Lingan A. Warren, Safeway's leader for 21 years, are still in effect. This suggests that "the new way at Safeway" stems not so much from changes in policies as from an adoption of an entirely different management philosophy. The Warren-regime policies that are still in effect now are regarded as more flexible; they are subject to changes below the top level; and they are more compatible with general industry procedures.

Some of the Warren principles that are applied now include:

1. The company continues its expansion program on

2. Safeway still shies away from mergers with major chains.

3. Safeway's private label program is emphasized. The private label system has been considerably streamlined but the stress is still strong on Safeway brands. Some items have been cut, but over-all volume is up.

Other policies, such as Safeway attitudes toward national brands, premiums and stamps, have been liberalized

Mr. Warren was willing to change policy but usually only if a strong majority of his staff and division heads voted for the change. Some pet policies were never put up for a vote.

Mr. Magowan bows to the majority, too, but he is also cognizant of minority problems and unique situations. A specific problem in the Oklahoma division, for example, is no less real simply because other divisions are not facing it. A majority vote or rigid policy cannot help Oklahoma's division manager meet the problem. If a change in policy is necessary to meet Oklahoma's needs, Mr. Magowan tends to favor it.

This attitude, through decentralization of retail divisions, has given Safeway a flexibility it never enjoyed before . . . an adaptability needed when its 2,000 stores face 10,000 competitors 365 days a year.

What policy matters are due for a change? The only answer is "all of them and none of them." Time and competition will demand changes and Safeway knows it. Here again is where flexibility rises as a strong advantage.

Competitors believe there will have to be a re-evaluation along the way. Mr. Magowan has placed prime emphasis on increased earnings. This has mainly been done by cost-cutting. The time must come, however, when Safeway will no longer be able to make cost cuts without impairing efficiency. Safeway will have to look elsewhere for ways to increase total net earnings. Logically, this will call for a volume push.

Safeway sales in 1956 and 1957 failed to meet Mr. Magowan's initial expectations. Volume increase 2.95 per cent in 1956, a little better than 6 per cent in 1957.

It is not inconceivable that Safeway will round out the decade with a formidable volume drive. This was a strong Lingan Warren attribute: the ability to gather volume. Mr. Magowan, whose feel for merchandising gathers more trade respect every day, has not yet dealt his volume hand. When he does, the game will be hot. It is doubtful, however, that Mr. Magowan will sacrifice his total net earnings mark to reach this goal, for volume at the cost of profit would lead Safeway down the same declining path it just abandoned.

Many Changes in a Short Time Cited by Official in Washington, D. C.

"I've never seen so many changes take place in one firm in such a short time," is how one official of the Washington, D. C., division of Safeway describes the division's operation in the past two years.

When Washington executives discuss how the division has reacted to the increased authority given them by the switch in National Safeway policy since the

The change is greater than can be indicated by a fall of 1955, it is easy to see what is meant. bare statement of revised policies in advertising, promotion, real estate, organization, buying, pricing and personnel.

Freed from the restrictions imposed previously from Oakland and having been told they can make their own decisions as long as they produce profits, the executives discuss the operations of the division with the zeal and enthusiasm of political reformers newly swept into office—an enthusiasm that they are evidently trying to transmit down the line to every employe.

To a great extent they feel they are succeeding. Morale throughout the division, they say, has never been so high.

Much of this has been caused by the delegation of authority to the store level, giving store managers more authority to make decisions affecting their unit.

Some managers, the Washington officials say, have been so used to operating without authority they have been slow to take advantage of the authority given to them.

As to others, one official said, "you simply have no idea how much and how well a man can do until he is given some leeway."

Some of the changes put into effect on the managerial level included:

- More direct deliveries are permitted to the stores. The division has set up a list of items on which the manager has the right to order directly instead of going through the warehouse. Within this list, the manager buys whichever items he wishes and the supplier delivers them directly to the store.

This cuts costs by eliminating an extra handling and delivery. On fragile items such as potato chips, this also means the product arrives in better condition at the store.

- The manager also decides which grocery items shall be carried and the number of facings it shall have on the shelf. This is determined on the basis of whether the item is paying its way and its movement.

This also means some stores carry national brand items which Safeway stores previously did not carry. As an example, Safeway previously carried only its own bread items. Where store managers feel national brand breads will sell, they can have these delivered directly.

- Previously, a meat operation manual determined which cuts were displayed. Now, each store makes its own decisions on the basis of local conditions and can cut and present meat as it wishes.

- Displays, store decorations and various other in-store promotional activities are also within the province of each store. Previously, Safeway units here did not use displays and banners except on store openings. Now the stores use displays and banners, streamers, balloons and cutouts. Competitors say that not only is the in-store promotion more colorful, but it is more effective

At the same time the division has taken off a great many of the restraints at the store level, it has devised various contests to encourage initiative and efficiency

The contests have been for managers, for frozen foods and coffee sales, for courtesy, for displays, for store decoration, and for other functions. Contest winners have received clock radios, "weekends at the Waldorf," trips to California and Bermuda.

In the division contest for the largest increase in sales, the complete personnel of 13 winning stores—one in each district—had "dinner on the boss."

The division has started a monthly magazine, The Cracker Barrel, which is "dedicated to the return of old-fashioned warmth and courteous service of yesteryear."

The magazine names contest winners and prints their pictures; reproduces letters of praise from customers and gives the names of those cited; prints pictures of special displays and is otherwise aimed at a personal approach.

Officials say the chain has never before received so many letters from customers praising personnel for their courtesy and helpfulness.

The Washington division departed from the organizational setup previously laid down, and has eliminated the job and title of "price maker," whose responsibility was to price every item of meats, produce and grocery sold in the store.

The price function for produce and meat is now the responsibility of the buyer who has the title of supply manager.

Previously, so much red tape existed in the buying and price of merchandise, a decision had to go through so many hands and was so time consuming, that good buys were often sold to other firms before a decision was made.

By integrating the buying and pricing functions, a "fast moving team operation" was created and the buyer who knows market conditions, costs and other important information can set the price.

Under the present system, Safeway officials in Washington said, buck-passing is eliminated and the buyer cannot claim an item has not moved because someone else did not price it correctly, and the pricer cannot blame someone else for a bad buy.

Los Angeles Division Decisions Still in the Makeup on Local Autonomy

Meanwhile, in Safeway's largest division, headquartered in Los Angeles, decisions are still in the making on the best ways to use the greater autonomy now resting at the division level.

Trade observers note that D. Barrett Kane, who succeeded William A. Christensen as division manager here last year, is continuing to study specific operating details of his more than 220 supermarkets.

Mr. Kane is already on record as leaning heavily on his store managers for ascertaining what the customer wants. Supporting this are the statements of broker and manufacturer salesmen who report they are finding the friendliest reception in years waiting for them when they call on individual Safeway store managers.

Along the same lines, Safeway's Los Angeles division has been featuring national branded items more readily in its advertising and on the sale floor. Private label goods are still featured in ads and store display, but not as heavily as in the pre-Magowan era.

Mr. Kane has completed some major changes in the division's promotional emphasis. Shortly after he took office, the division told consumers it would terminate its 1½-year-old Save-A-Tape program and concentrate on a low shelf price program. This latter plan has been re-emphasized in newspaper advertising, store posters, and even on Safeway delivery trucks.

At present, Safeway's big promotion gun in the Los Angeles area is newspapers, and the firm utilizes full page ads early in the week, and frequently double trucks in weekend ads in metropolitan dailies and community papers. Underway at present is a billboard program which finds about 100 such installations featuring Safeway's meat.

Most newspaper advertising of Safeway carries a headline theme but is heavily laced with prices. The billboard campaign is considered institutional. No radio or television is being used at this time.

Safeway is considered one of the major newspaper advertisers in the Los Angeles area, and expenditures for over-all advertising are about the same as in previous years, except for the rising cost of advertising.

A significant policy change appears to have been made in non-foods merchandising in the local division. Present management is interested in non-foods only as a supplement to its primary purpose of selling groceries.

Along these lines the Los Angeles division plans to end its Bakersfield, Cal., discount center experiment, which featured many big ticket durable goods items. In addition, it is reported conventional supermarket merchandising of lesser non-foods has also been cutback somewhat.

A strong desire to cut operational costs is also indicated by the recent informal approach of Safeway to have Certified Grocers of California service about 50 Safeway stores in the San Fernando Valley, Santa

Barbara, Ventura, Bakersfield area. Safeway operates a multi-floor central warehouse in Vernon, Cal., and this facility is not considered as efficient as it should be. Certified rejected the Safeway proposal.

Some 125 miles south of Los Angeles, in the San Diego division, one of the most immediate effects of greater divisional autonomy was said to be the change in the chain's competitive pricing policy. Now, the local division does not "have to meet every competitive price on weekends, but can engage in a division policy of meeting major competition only."

The division has always operated on a tight operational cost basis, with periodic studies made of various functions in order to achieve greater efficiency. A minor change has been the installation of district manager offices in two of the newer stores rather than separate office building space in San Diego. Paper work of district managers has also been reduced so that these representatives may spend more time in the supermarkets there.

Changes Served to Humanize Activities in Kansas City Division

In another division, in Kansas City, the change in Safeway's top management has been reflected here in a marked change in attitude of the chain's local people, according to trade sources.

The phrase used most often by suppliers and competition is that the chain is "more human." Stores and personnel used to be "cold," now they've "warmed up." Suppliers are unanimous in their opinion that Safeway personnel is cooperative, receptive and pleasant to do business with, where the attitude generally was just the opposite.

One supplier commented that the Kansas City division used to ignore nationally advertised brands as much as it possibly could, but now is most receptive and is buying according to the store managers' requests, which in turn reflect the customers' requests.

The division now gives the red carpet treatment to salesmen, which is a complete switch. In the new $250,000 office building recently completed here on Westport Road, Kansas City, a large, comfortable reception room features a directory of buyers, listing categories and names of buyers, for the convenience of salesmen.

The more human side of the chain has been noticeable, too, in Safeway's cooperation with competitors in industry decisions in Kansas City. During the recent strike of retail clerks there, the entire industry met together, planned strategy and appointed one trade representative arbitrator to speak for the industry.

While Safeway was more seriously affected, having more stores than any other company in Kansas City, the big chain abided by the decisions of the arbitrator throughout the eight-day strike. Again, when the 10-cent check-cashing charge was instituted recently in Kansas City, Safeway went along with the majority.

A folksy, neighborly attitude toward the public has also been noticeable at Safeway's Kansas City division in the past two years. The multi-million-dollar distribution center opened here in 1953 has been opened for tours by business groups, chamber of commerce groups, and to women's clubs. In fact, a formal "written" invitation was issued to women's clubs through a unique advertisement in the society section of the Kansas City Star, resulting in many requests for guided tours of the huge facility.

Also, Safeway stores in Kansas City have 50-cup automatic percolators available for use at church meetings, bridge parties and club meetings. The service is free and the percolators are always in use.

Recently, the division started a courtesy campaign to encourage employes in the stores to address regular customers by name. Each employe now wears a name badge, on the theory that if a customer knows the clerk's name, he is more likely to try to learn hers.

Division Heads Encouraged To Consult One Another

The easier air breathed at various Safeway echelons since Mr. Magowan succeeded Mr. Warren at the helm two years ago was summed up by the manager of still another division, who said:

"Not once has Mr. Magowan ever said, 'this is the way it should be done.'"

Implied in this statement, offered as tribute to the new boss, was that what the new boss never said, the old one often did.

Mr. Magowan's formula is: "It's an operational problem. You solve it, show me the results."

He backs up his near-autonomous subordinates with the assurance: "If you're in trouble, call me."

And, it is stressed, he means pick up the telephone or put a message on the teletype and directly contact him at his office in Oakland.

Decision-making is now a supple, flexible process, accomplished speedily as operational needs require. Direct communication, unsnarled by red tape, protocol or procedural niceties, is a Magowan hallmark. He instituted the direct teletype network linking all divisions with headquarters.

Under the old regime it was unheard of for a division manager to call on another division manager without first clearing the visit with Oakland.

Today, division managers are encouraged to consult with one another, to send staff members to observe parts of other division operations that might prove mutually beneficial.

For example, the New York division recently sent its warehouse operations manager and its meat warehouse manager to Kansas City to observe meat handling in the new distribution center there.

As one observer put it, "The Kansas City people were flattered and the New York people learned something."

One executive who has worked his way up from grocery clerk in the course of his 20-odd years with the chain described the old way at Safeway with this account of how decisions were made:

Formerly, if a division wanted to take a certain tack, assuming it conformed to all the dictates contained in the policy book, the division manager with his staff would draw up a recommendation. This was forwarded to Oakland.

On relatively simple matters, the recommendation would be approved, or more likely, disapproved, and returned as fast as the bureaucratic wheels and the United States mails permitted.

On matters that seemed to strike at basic policy, a mail poll of division managers would be taken. Eventually, the initiating division would receive word giving or withholding the headquarters' nod.

The formula used in rejecting such recommendations usually read, "The majority feels we shouldn't do this." Reasons were rarely offered.

The executive, recalling those days, tacitly implied that the "majority" was the omnipotent minority of one who headed the chain. "You never knew how anyone 'voted.'"

Things are different today, he said. Divisions are free to operate, making their own decisions, without check from headquarters, accountable only to justify their decisions in their financial statements.

When the Kansas City division enjoyed an unusual spurt of business after Christmas, Mr. Magowan asked the division manager to describe briefly how he did it. This description, without comment, was then forwarded to all other divisions as a matter of mutual interest.

5. Promotion

Promotional Pipelines Reversed

Safeway's long-standing promotion philosophy was junked shortly after Robert A. Magowan became chairman of the board. His thinking was diametrically opposed to that of his predecessor, Lingan A. Warren: Mr. Warren's promotional pipelines pointed outward, from headquarters to the stores. Mr. Magowan, in late 1955, reversed the direction of these pipelines. In so doing, he established a new promotional concept at Safeway.

Store managers were given a new freedom in ordering and displaying merchandise. New, unusual displays popped up in every Safeway location. Successful displays were outlined in district and zone bulletins. Top-notch efforts were described to headquarters and other divisions. An "upward flow" of tried promotion and display ideas swept toward headquarters and were traded with other zones.

The divisions now had more ideas with which to work, unhampered by headquarters dictates. Mr. Magowan then increased division advertising budgets substantially.

Safeway does not release its operational figures, but reliable estimates place Safeway's retail ad expenditure in 1957 at better than $17 million. This compares with a retail ad budget of $14.9 million in 1955, before the promotion setup was changed.

Then, in effect, Mr. Magowan said to division managers: "You have more promotion money. Your supply of ideas is limited only by the imagination of your personnel. Find the direction you want and go to it."

With this new philosophy, a long list of "dont's" was torn from division bulletin boards. Previous negative attitudes toward such promotional vehicles as stamps, tapes, coupons and premiums were abandoned. National manufacturers were encouraged to contact Safeway on their promotions. Safeway became less rigid about ad allowances. These decisions were now up to the division manager.

The divisions immediately began the process of fighting fire with fire. Those divisions beleaguered with stamp competition began adding stamps. Tape plans and premiums sprang up. Energy previously devoted to fighting coupons and manufacturer giveaways was now devoted to plugging them.

Most Safeway divisions since that time two years ago have either added a save-a-tape or stamp program. Some have dropped them since. Dallas added both tapes and stamps. So did Salt Lake City. Butte, Seattle and Portland have never added tapes or stamps. Divisions were throwing enemy shells back at the enemy.

The next move cut at the heart of Mr. Warren's promotion concepts. Safeway's private label advertising setup was radically changed. The Safeway brand advertising department was stripped of its ad budget and consolidated with the retail advertising department.

The budget for Safeway brand promotion was cut from $7.7 million to about $4.1 million, eliminating virtually all brand advertising in newspapers, radio and TV. Mr. Magowan thought it a mistake to compete with national brand advertising in mass media. A smaller budget remained for ads in Family Circle magazine, the supermarket-distributed magazine. The bulk of the $4.1 million went to in-store display programs for Safeway products.

The retail store manager does not have to use this Safeway display material. As a result, Safeway's central advertising office must compete with national brand displays as well as the store manager's own display inspirations.

The day of the packaged Safeway national promotion has ended. Mr. Magowan does not believe in them, hopes he will not have to resort to them again. He prefers a decentralized promotional pattern and has developed a technique that lends itself to individual initiative with some central control: The sales contest.

Safeway held several contests in 1957 with good results. The year 1958 should offer more of them. These contests offer no compulsory packaged material with it. How each division competes is a local matter. Mr. Magowan is interested in the dollar results—not the methods used in producing them.

Safeway sales jumped 25 per cent in one week during the "Ramorama" (the first three letters are Mr. Magowan's initials) Sale last fall. This compares with an over-all increase of 6.4 per cent in sales for the year. Mr. Magowan is not likely to forget this Ramorama effect on volume. He will exploit it heavily this year.

The Ramorama Sale was based on what Mr. Magowan likes to term "management dynamics": Initiative and spirit at all levels of the company.

Another type of promotion still inspired by headquarters is the commodity promotion. Here again, divisions are left to choose their own techniques. Central advertising offers themes, suggestions and ad layouts. The division can accept or reject them.

During National Apple Week, all divisions used different techniques to promote this commodity. Some were created by local thinking; others were inspired by central advertising. The San Francisco division's bay zone, for example, used a "mix 'em or match 'em" theme offered by headquarters.

Safeway's next promotional step will be a combination sales contest and commodity promotion. In a month the firm will begin ballyhooing potatoes. Central advertising has made up a kit for those districts or zones that want them. Others will strike out on their own. The contest was discussed with division heads before it became a fact; was stressed heavily during the recent division manager meeting in Phoenix.

Hugh Frost, vice-president in charge of advertising, personnel and research, is responsible for much of the company's new promotion effectiveness. Each quarter, Mr. Frost reviews promotion dollar needs; allots a new budget to the divisions. He goes by no fixed formula and appropriates the dollars town by town and market by market where need be. While Safeway's total ad budget is around 1 per cent of sales, some areas might get a much larger cut if competitive conditions demand it.

Mr. Frost said one town is getting the equivalent of 3 per cent for promotion at this time.

Safeway competitors are facing a more rugged, versatile foe this year. The chain has a bagful of new tricks—and an adjustable promotion budget to make sure they work.

Division war drums are beating at a faster tempo. The company is counting on every store to produce a more piercing competitive sting. It will be tougher to outflank Safeway in the future. The chain is no longer a cumbersome promotional giant, thrusting in one direction, then another. It is becoming a group of 2,000 versatile units, ready to wage the battle from store to store on the local level.

Top Promotion Patterns Vary for Each Division

The pattern of principal promotions thus varies from one division to the next.

Stamps are now being offered in some cities in each of the following divisions: Oklahoma, Dallas, El Paso, Phoenix, San Francisco and Salt Lake City. In two of them, the Dallas and Salt Lake City divisions, Safeway stores in other cities feature the Save-A-Tape plan.

The Save-A-Tape plan also is in operation in some stores in each of the following divisions: Denver, Omaha, Tulsa, Wichita, and Kansas City.

Five divisions at one time or another featured Save-A-Tape plans but dropped them. These are San Diego, Los Angeles, New York, Little Rock and Washington, D. C., none of which now offer long-term promotional programs.

Four Safeway divisions have never had tapes or stamps. These are Butte, Seattle, Spokane and Portland.

Kansas City Division Finds Tapes Successful

While some areas have dropped the Save-A-Tape plan, which enables customers to redeem register tapes for premiums in the markets, Safeway's Kansas City division has apparently found it a successful promotional medium.

The plan was started in the Kansas City division in June, 1956, with aluminum cookware as the only premium. As the promotion progressed, additional items were added and these now included domestics, housewares, electrical appliances, glass and china.

The plan was started here shortly after trading stamps were first offered in the Kansas City area by Kroger, followed by several independents. The Safeway program continues to grow without particular emphasis in advertising. While Kansas City is not strongly stamp-conscious, competitors feel that the tape plan at Safeway is effective since it brings customers to the store for the premiums, rather than to a redemption center.

One local firm with a number of stores dropped stamps after a year and followed Safeway's lead with a tape plan, on the basis of its being less costly. Its owners are satisfied with the plan and report that it is effective in building sales, although premiums do require a great deal of warehouse space.

Safeway's advertising in Kansas City is an all-media program, including radio and TV spots, a once-weekly TV sports show, and newspaper ads. Newspaper advertising averages three pages weekly plus a double truck often on Fridays, the strong food ad day in this area. However, the newspaper advertising is competitive, with the program stepped up whenever competition requires it.

New York Drops Tapes For Spot Promotions

One of the divisions that dropped the Save-A-Tape plan in relatively recent months is the New York division which now leans to frequent spot promotions rather than continuing programs.

This change reflects the personal predilections of Fred E. Rowland, division manager since last Oct. 5.

One of Mr. Rowland's first decisions when he took over the division last summer was to drop the Save-A-Tape plan, which had been running since October, 1955.

Mr. Rowland views tapes, stamp plans and similar extended promotions as static and unexciting.

Explaining his reasons for cutting out the tape plan, the division manager said that programs that last over a period of time lose their steam after a while.

"Both the customers and our own people lose interest," he said.

Much better results are achieved, he said, by promotions run for a relatively short time. By selecting a theme or a title for the promotion, Mr. Rowland can then call his people together and develop a promotion with a specific objective.

To keep his own people interested, the division manager prefers to name different people on his staff as coordinators for different promotions.

In this way the fresh enthusiasm of one executive is utilized to spark the interest of the whole organization.

Promotions are planned with care. Once the idea has been hatched, either from a suggestion offered by a supplier or from a staff-inspired idea, the division manager and his staff make plans at a weekly staff meeting devoted to sales and promotions.

Responsibilities are assigned as to dates, warehouse stocks, store allocations, truck schedules, advertising layouts and timing. A coordinator is named and a series of bulletins goes out to store managers alerting then to the upcoming promotion.

When necessary, further meetings are held at the division level and at the supervisory and store managing level.

By the time the promotion breaks, a large head of steam has been built up. There are usually incentives either in prizes or in prestige and a good amount of inter-store competition is stimulated.

Safeway uses radio and TV spots and is a heavy user of newspaper space. A steady advertiser in the metropolitan dailies, the division is upping its use of local papers in order to get better coverage in outlying areas, according to Mr. Rowland.

In addition to use of themes for its promotions, Mr. Rowland feels that timeliness is one of the most important factors in planning promotions.

He cited as an example a promotion of fryers the division ran right after the Christmas holidays. The promotion was calculated to coincide with a time when people had had their fill of rich holiday fare and at a moment when customers' purses were flattened following the round of gift-giving and celebrations.

Seattle Steps Up Newspaper Schedule

Analysis of promotional approach in one of the divisions that never have offered either tapes or stamps Seattle shows the principal change to be in the newspaper advertising schedule.

In recent months, Safeway moved its big weekly food advertising from Thursdays to Wednesdays in the two Metropolitan Seattle newspapers, the Seattle Times and The Seattle Post-Intelligencer. Since most neighborhood, community, and giveaway papers are published in this area on Thursdays, and since most families take at least one of the dailies as well as one of the local sheets, it means a two-day spread, instead of one, for food advertising.

Many of the Seattle area chains and voluntaries have followed Safeway's lead in using Wednesday for their big newspaper promotion.

Institutional newspaper advertising is limited by Safeway to store openings or for special announcements or very big events. In 1957, an institutional series of billboards featured different products each month as good items to buy at Safeway. These were simple and effective. A fruit, meat, vegetable or other food item was shown in color on a light background and with little copy.

Now, however, the Safeway billboards have disappeared from Seattle area.

Safeway uses quite a few radio and television spots in the area. These are partly institutional, partly "good buy" announcements.

Competitive market managers and chain and voluntary heads here are quick to give Safeway credit for the effectiveness of its promotional program. According to Hearst Advertising Service and The Seattle Times, Safeway's Seattle division leads all other chains and voluntaries here in the volume of its newspaper advertising. No other chain has used billboards in recent times. Few use radio or television.

In addition to saying it more often and in more ways Safeway's Seattle advertising is effective because it is strongly competitive, other retailers pointed out.

Tapes Tried in San Diego Dropped Because of Cost

In the San Diego area, heavily saturated with trading stamp programs, Safeway has been part of the trade segment that has remained aloof from premium-type promotions, except for a limited experiment.

A test was made in seven stores last year of the Save-A-Tape plan, but it was decided to terminate the program because of cost. The same reason was given for Safeway's refusal to enter trading stamps in San Diego.

"We would rather spend the money in other forms of merchandising and advertising," a division spokesman asserted.

In its promotion program, Safeway is a major user of newspapers. Very little radio is used, mainly to support the stores in the Imperial Valley area. The chain uses a Mexican language radio station to support units near the Mexacali-Calmexico border in the Imperial Valley.

The newspaper schedule usually finds Safeway with a full-page ad on Monday, and double-truck weekend ads running Thursday morning and afternoon. Metropolitan and community papers are used.

The division does not use institutional ads, but prefers an overall ad theme with heavy price promotion. The chain generally features its meat or produce departments in such ads.

It was estimated that advertising showed an increase in 1957, but costs were not proportionately greater since the division is now able to avail itself of cooperative advertising from manufacturers. Prior to top management's change in policy, Safeway divisions generally had not utilized cooperative funds.

Staff Bulletins Spread Merchandising Ideas

How Safeway keeps the "upward flow" of promotion and display ideas running to increase sales throughout the chain is indicated in confidential bulletins.

Here are some examples of merchandising ideas that were sent through Safeway pipelines:

At Christmas, Safeway's Stillwater, Okla., unit set up a display of filberts that resulted in the sale of 1,000 pounds of nuts in 10 days. The display was a tall column of filberts peaked by a little stuffed animal called Filbert.

The store manager considered the response so good he called it to the attention of the district manager. In turn, the zone was notified and finally, headquarters. Headquarters sent out a bulletin to all divisions describing the success of the display along with a picture of it. In this way, all divisions in the company were advised of a display that they might not have ever heard about three years ago.

The headquarter bulletin did not state that such a display "should" be put up by stores. It simply described the display and its results. The rest was left up to the division manager.

Two confidential bulletins were recently sent out by E. W. Smith, Safeway's San Jose, Cal., district manager, in which he described various successful displays in his district, and encouraged better attention to delicatessen and cheese sections. Nowhere in the bulletins did he state that any display "must" be set up. He left the decision to each store manager.

* * *

Mr. Smith's staff bulletin No. 18 stated: "Outlined below are comments from store managers covering successful promotions that we can capitalize on in all stores.

"Chinese and eggs offer us two high protein items that people are looking for with today's meat prices. Look at these displays now and let's expand them and tie them in wherever we can as some of the fellows reporting have done . . . "

Mr. Smith then went on to discuss several displays:

"Jim Morris reports that a special display sold 70 rum cakes and 65 coffee cake loaves. Normal sales—six of each. Also, tied in pork butts and cheese with cauliflower. Sold 18 extra pork butts and three units of cheese off the display, along with 61 units of cauliflower.

"Herb Colvin stuck his bakery clerk with five times his normal amount of raisin bread and the special display was gone before the day ended. We need more of these Safeway brand bread promotions. Noticed a full end display of Safeway brand breads at 488 Seaside, on the same day and Lee Edner advises that they are getting extra sales.

"Jerry Gleason ran a special display of Longhorn and mild cheeses in the lobby. He gambled and ordered 250 pounds of Longhorn and 230 pounds of mild extra. In three days the entire amount was sold. We now plan a special push each week."

In another bulletin, Mr. Smith urged more attention for delicatessen and cheese as an answer to higher meat prices.

"Spread out on chili, tamales, tortillas, sliced cheeses, salads, snack items and cheese spreads, and let's consider where room is available for cheese displays in meat and produce displays," he stated.

ELSEWHERE, PRICES GET THE HEADLINE: The "30-day trial" in Seattle was a promise that the customer will "save on your total food bill." The space fantasy promoted prices in Oakland, Cal., Safeway's headquarter city, while the total food bill theme was promoted again in Denver.

IN SOME AREAS, STAMPS GET TOP BILLING: (Above) In some stores in seven of its 20 divisions in the United States, Safeway offers trading stamps. Three of the five different-type stamps used by the chain are featured in these ads in (left to right): Phoenix, Ariz.; Amarillo and Fort Worth, Tex.

IN SOME AREAS, TAPES AND PREMIUMS: Five divisions have dropped tape plans, but the Lincoln, Neb., ad (extreme left) typifies use in several other divisions. The flatware premium offer is made in Sioux City, S. D., where the Save-A-Tape plan is also being promoted.

Safeway and the Supplier: Policy of Live and Let Live

In November, 1954, Lingan A. Warren, then Safeway's president and chief executive officer, appeared before a group of 50 manufacturers on the eve of the Grocery Manufacturers of America annual meeting in New York.

He sat stiffly silent while his vice-president, Dwight M. Cochran, read a pronunciamento outlining all the things the chain disliked about the manufacturers' brand promotions.

The audience felt it was being lectured by a Dutch uncle and the few smiles seen were masks of politeness.

Last November, just three years later, Robert A. Magowan, chairman and president of Safeway, addressed a breakfast session of GMA's annual meeting, opening with this wry salutation: "It is a pleasure to address my fellow manufacturers."

The assembled manufacturers of national brands chuckled at this sally. Twenty minutes later when Mr. Magowan finished presenting his views on promotions, brands and private labels—his philosophy could be summarized as "live, let live, and make a profit"—the members of his audience still wore a pleased smile on their faces.

The difference in approach, and the reaction to it, of the old and new regimes at Safeway is summarized in these two incidents.

The Cochran-Warren session with the manufacturers probably marked the low-point in Safeway's relations with its suppliers.

That session and the 17-item indictment against brand promotional practices which Safeway sent to all suppliers in November, 1954, and which the session was set up to clarify, were the culmination of a long line of moves which had made the chain increasingly unpopular among those doing business with it.

Only a month earlier, Safeway had sent a letter to manufacturers using coupons, informing them that it intended to apply their coupons to competitors' products. Furthermore, any competitor that wished to avail itself of Safeway's interchangeable coupon plan would be expected to pay 20 per cent above the face value of the coupon plus a 3-cent handling charge.

Manufacturer reaction to this move was publicly non-committal but privately one of outrage. They saw in it another instance of what they felt was Mr. Warren's high-handedness. They particularly resented the invitation to sabotage each others' coupons and the suggestion that they pay a premium to encourage this practice struck them as the sheerest effrontery.

Some of Safeway's other skirmishes were fought over stamps, milk pricing and beer licensing.

With a chronic belligerence that characterized the chain in those days, and which insiders said reflected the temperament of Mr. Warren himself, the chain was embroiled in battles on a dozen fronts.

A series of headlines on full-page ads run by Safeway in Richmond, Va., papers in February, 1954, that aired a beer licensing squabble catches some of the spirit of those days.

"Should Beer Wholesalers Dictate Beer Laws of Virginia? Proposed Monopoly Grab by Wholesalers Protested by Safeway Stores."

"Safeway Protests Wholesalers' Bold Legislative Move for Monopoly."

"Beer Combine Makes False Arguments; Safeway Stands on Facts on the Record."

In that same month, February, 1954, a Safeway release to the press featured the headline, "Safeway Seeks Lower Retail Store Milk Prices Through Court Action," and announced that "Safeway Stores today filed suit in seven additional California counties" against State officials, bringing the total current cases on milk pricing in that State to 12.

Some public utterances made by top management under the old and new regime appear below. They underscore the difference in viewpoint on a few key issues:

	NEW REGIME	OLD REGIME
Attitude toward manufacturers	"I don't believe it's any of our business how you promote your products."—Robert A. Magowan, November, 1957, before GMA breakfast.	"We have vigorously protested couponing practices that impose costs and unfair burdens on our operations and on all retailers. While one coffee roaster and three soap companies have made adjustments in their rates of compensation, no brand promoter has faced the issue squarely. Therefore, I believe we must take further action to protect our customers and ourselves."—Lingan A. Warren, September, 1954, letter to division managers outlining plan to redeem coupons on competing products.
On coupons	"We have retired from the practice of fighting brush fires in the form of feuds, litigation and legislative battles over coupons, stamps, milk."—Mr. Magowan, November, 1957.	"We believe that the use of coupons by brand promoters injures the retailer, unless the latter is reimbursed for the actual costs incurred and adequately compensated for the services performed."—Dwight M. Cochran, September, 1954, letter to manufacturers.
On other people's business	"Safeway is going to run its business like every other successful chain. We will be competitive but we won't pay too much attention to what the the other fellow is doing."—Mr. Magowan, November, 1957.	"We reserve the right to oppose the activities of others that we believe constitute interference with our own management prerogatives."—Mr. Cochran, November, 1954, before GMA breakfast.

6. Private Brands

Safeway's Labels Prosper Despite Cuts, Consolidation

No part of Safeway operations stimulated as much controversy, scorn and criticism in the past as the chain's private-label program. Many competitors considered it Safeway's weakest link. Manufacturers quietly despised it, said it was discriminatory and unfair to compel stores to carry all Safeway labels.

But it served as the cornerstone of Lingan Warren's merchandising program. Under him, it grew larger every year.

Here is where the greatest upheaval took place when Robert A. Magowan became chairman of the board in the latter half of 1955. Nearly half of Safeway's 200-odd labels were sent to pasture. The 14 supply divisions were reduced to seven; 50 buying companies were merged into 29 companies.

The guiding principle in eliminating and consolidating house brands has been profitability. Mr. Magowan, in addressing manufacturers at the Grocery Manufacturers of America meeting in New York last November put it this way: "We are only interested in private label items that justify themselves, that is items that give us a very good profit."

To the trade, however, Mr. Magowan's most significant move was to tell division managers that they need not stock Safeway brands if these brands could not compete successfully with national or regional brand items. The way, at last, was paved for brand manufacturers to get more Safeway shelf space.

The trade wondered if Safeway was going to minimize its own brands, begin eliminating the program altogether. Nothing could have been farther from the truth:

Safeway's branded goods are stronger today than ever before. Record sales and profits have been made in this part of Safeway's business for the past two years.

One of Safeway's closest guarded secrets in the past was the dollar volume of Safeway's private label program. This is being published for the first time in this report.

In 1957, the wholesale worth of goods manufactured, processed and offered to stores under Safeway labels totaled about $200 million. Retail sales in private brands, then, were better than 10 per cent of Safeway's 1957 volume of $2,117,131,000.

Since most private label activity at Safeway is centered within the grocery departments, including non-foods, it can be calculated that brand sales represent nearly 15 per cent of Safeway's grocery volume, and about 10 per cent of over-all sales. Groceries and non-foods represent roughly 65 per cent of the total volume figure. Meat and produce make up the balance.

William S. Mitchell, vice-president in charge of supply, said 1957 private label sales were roughly equivalent to 1956 results while net profits were at a new high.

The Safeway private label program has never enjoyed more strength. It is the most profitable 10 per cent of the company's business.

These brands are sold to the retail division at competitive prices. Unlike national manufacturers, supplier companies have no selling or direct delivery expense. Advertising costs are almost nothing. When some national manufacturers are breaking even, Safeway is earning a substantial paper profit on its goods before they are sold at retail. A second profit is made when it is sold in the store to the customer.

The promotion and advertising of Safeway brands has become much less expensive. In canned goods, for example, 40 labels were dropped and replaced with a single label — Town House. Obviously, several hundred thousand dollars is saved annually in keeping only one name before the public eye instead of a list long enough to confuse the most ardent Safeway-brand shopper.

What have these private label attitude changes meant at retail? In the past year, Safeway stores have sprouted hundreds of new items. Some divisions dropped many Safeway items, others offered them less space.

Invited Manufacturers To Show Their Wares

Safeway invited manufacturers to show their wares and give Safeway a whack at any new items they bring out. Division managers were told to set up their own buying formula. At one time, Safeway stores were supposed to stock all Safeway products. Now divisions are told to stock the most profitable and popular items.

If a Libby or Del Monte item sells better than the Safeway brand in Los Angeles, for example, the division manager may stock the national brand and throw the Safeway item out.

Another Safeway move which has proven extremely beneficial to the outside manufacturer has been the elimination of the taboos existing on advertising allowances.

Warren was suspicious of them, turned most of them down. He maintained that ad allowances forced the chain to take a lower profit while featuring a brand at a time and price set by the manufacturer. Mr. Warren said ad allowances as well as display allowances and other manufactured deals often disrupted the chain's long-term promotion plans. While many chain and independent food merchants agreed there might be some merit to this argument few fought the allowances.

Today's Safeway management may agree with Mr. Warren's thinking, but as in many other policy changes, it feels that Safeway cannot end the system by fighting it alone. The new management asks only one question regarding each allowance proposal: It it legal?

Safeway's central advertising department reviews all ad allowances offered to determine whether the same deal is being made to all competitors. If not, it is rejected. Central advertising then advises divisions on what allowances are available. Whether or not they are accepted and used is up to the division manager.

This change in policy swung many division managers toward more use of outside brands. The ad allowance totals a tidy sum at the end of the year.

This has been a substantial boost to the brand manufacturers —but perhaps not as big a boost as they originally thought: At the same time as he gave brand manufacturers their opportunity to compete on even terms, Mr. Magowan told the supplier companies to make and promote so well that the divisions would prefer Safeway products.

A sense of keen competition overwhelmed Safeway's supply and manufacturing operations for the first time. A program of cost-cutting at the manufacturing level was initiated. Promotion funds, though cut from $7.7 million to $4.1 million for private brands, totaled more per existing brand than before. Private brand newspaper advertisements were eliminated and these funds given to the division manager for advertising.

Safeway supply divisions are obviously intent on giving outside suppliers a run for their money—and with good success. More private label merchandise was sold in 1956 and 1957 than in any other two years in company history.

The division manager holds on to his job in only one way: He makes a good profit. If a Safeway brand is less profitable than an outside brand, he chooses the outside brand. He could not do this under Lingan A. Warren. The old regime policed this policy with a "rule of reason" but it made it impossible for the division to offer as popular a variety as its competitor.

When Safeway changed its private label operation, many competitors believed the company planned to upgrade its operation by dropping much of its second-quality goods. This has not happened. Some fringe items were eliminated and slow sellers were dropped. Many of them were in the lower price brackets.

The main change, however, was in designation and not in quality or price.

Mr. Warren had constructed his private label program around price levels. Premium brands were choice and fancy products, receiving as much or more promotion as outside national brands.

Safeway discount brands were also choice or fancy but received limited advertising. The promotion savings were discounted from the retail price and passed on to the consumer. Standard and extra-standard products were grouped around the price level. These products were not advertised and were used to compete against other non-advertised standard grade labels.

Mr. Mitchell, as Safeway's vice-president in charge of supply, changed these designations when he moved up from the controller's office.

Instead of grouping the private labels by price. Mr. Mitchell decided to group them according to quality. He dropped the designations premium, discount and price. He drew out two classifications: First quality and second quality. Premium and discount brands were put in the first group, price brands in the second. Only first quality merchandise bear the "S" insignia on the label.

Mr. Mitchell, as head of supply operations, refers to the new private brand operation as a "check and balance system."

"My job is to sell as many Safeway brands as I can.

The retail division manager's job is to run his stores to the overall company interest. I must make Safeway brands attractive and profitable at retail or our divisions will not buy from us," he explains.

Mr. Mitchell's supplier companies must also operate at a profit. Safeway pays no favor to them.

They are operated as separate entities and must justify their existence as much as the divisions.

The changes in private labels are still coming. As brands show low performance, they will be dropped. Others, gaining in importance, will be stressed. More brands will be consolidated.

If success is achieved in the company's newest move — using "Safeway" on a product label — more top quality goods will bear the name. The Safeway name is now being used only on soluble coffee and brooms. Mr. Mitchell said it is too early to gauge results. If successful, the company will consider the change for several top quality items "and one of the first would certainly be vacuum packed coffee," Mr. Mitchell said. He stressed, however, that many top quality products will continue to bear other private label names.

"I doubt if you will ever see the day when all top quality products bear the Safeway name," he said.

Meat, Produce Brands Small Portion of Total

Safeway brands in meat and produce represent a small portion of the total private brand picture. The Waldorf label is used for top quality produce prepacked by the chain. Waldorf produce also bears the "S" insignia. Some second grade tomatoes are also prepacked. They bear the Firm Fresh label. Potatoes are packaged under the name Economy. Neither Firm Fresh nor Economy bear the "S" insignia.

In meats, top-grade franks and luncheon meats are labeled Somerset. This name will eventually be dropped in favor of the Safeway name. The chain started placing some top grade meat products under the Safeway name late in 1956. Some meat products are also advertised under Towar and Sterling names.

The Safeway "S" appears on virtually all top quality Safeway brands. Exceptions are few. Tea Garden labels, for example, bear no Safeway identity because the firm sells a small portion of Tea Garden products to other retailers.

Some Safeway labels, while retired, could be put to use again. The name Pennant might be used again if Safeway found it had to cut its coffee too far below present prices during a price war. Rather than cheapen the Airway name, Safeway would probably put the Pennant label on cut-price coffee until prices rose enough to retire the label again.

General Pattern Applies To Most Division Areas

While each autonomous division goes its own way, the general pattern of changes has applied to most areas.

In Los Angeles, the headquarters of Safeway's largest division reports that it has been able to do a better job in merchandising and movement of private labels since chain headquarters decided to reduce the number of products offered and retain those with high profit and turnover potential.

A division executive explained, "it is our feeling that private label merchandise is still an important part of our business both sales and profitwise. But, we have to serve the needs of our customers, and if they desire nationally advertised items, we must balance our stock to satisfy these requirements."

The Los Angeles spokesman pointed out, "we have done well with the private brand products the company is interested in. The items retained have sold in overall volume comparable to movement prior to the private label reduction."

It was also pointed out the Los Angeles division is not pricing its private label merchandise on a set formula based on competitive national brands. "Competition and judgment are the primary reasons for our prices on private label goods," the spokesman said.

It was explained the Safeway division has not altered its policy on promotion or store display of private label merchandise, other than changes effected as a result of the headquarter inspired reduction in number of products.

However, competitors and salesmen for manufacturers and brokers report better treatments in acceptance and display of their products since 1955 in the Los Angeles division.

The San Diego division continues to place emphasis on Safeway's private label merchandise, but it has been featuring national branded goods much more heavily since headquarters liberalized its policy on permitting wider use of suppliers' cooperative advertising allowances.

The division reports consolidation of Safeway brands had resulted in good sales.

"The new policy has not hurt sales of our private label, and has actually helped us to gain and retain customers who want national brands," it was said. Market floor space devoted to private label has been decreased somewhat with the space being diverted to more prominent placement of national branded items.

"We want the people to know we have national brands as well," a San Diego division spokesman said.

Capital Moves Away From Heavy Emphasis

In Washington, D. C., trade sources see signs that there is divisional adherence to the policy that private labels need not be carried if movement and profit do not warrant. At the same time, officials in the Capital made it clear that they are not moving away from private label operations, which they find "quite profitable."

As part of the move from an extremely heavy emphasis on private label, the division has lifted its ban on outside salesmen and demonstrations in the stores. Even premium samples may be shown in displays.

Now Safeway in the District of Columbia area has only one rule about this activity: Displays and demonstrators may not block the aisles.

Perhaps most illustrative of the change in policy, officials there said, was a promotion of Hanover brand canned goods in which members of the Washington Redskins football team appeared in various stores and autographed photos with every purchase of the product.

The move away from heavy emphasis on private label is also evident in the firm's advertising and promotion.

The policy now is to advertise and promote what will sell. Officials say they are trying to achieve a balance between national and private brands in their advertising.

Some competitors in the Washington area feel this balance has been achieved. Some other trade sources, however, said they feel Safeway still has a heavier emphasis on private label.

As part of this deemphasis of private label, the division has accepted, to a much greater degree, cooperative advertising allowances on a performance basis. Previously, such allowances had been discouraged.

In El Paso, Tex., the division manager says that the floor space devoted to private labels is "about the same" as it was before the change in top management.

In the Seattle area, Safeway has just completed a big Safeway Brands Sale in which the "S" insignia for its line was featured.

A similar promotion in Kansas City featured this commentary in an ad:

"Safeway is proud of its brands that bear the circle S symbol. It is reserved for Safeway premium quality brands only. It is your guide to, your assurance of getting food products that will give you the greatest satisfaction, the finest quality you can buy at any price. Every item bearing this symbol is guaranteed by Safeway to be of equal or superior qulaity to any competitive brand, whatever the brand."

When this promotion broke in Seattle, the Safeway brands were given great prominence. Shelf displays, aisle displays, island displays, bin displays all carried banners with the circled S. Before that, in Seattle, the chain's own brands usually had merely been shelved with other brands with the customers left to take their choice without prodding in the form of special displays.

Kansas City ran a similar promotion last year for its brands, using a coloring contest for children with English bicycles and prizes.

THE FACE OF THE NEW REGIME: Robert A. Magowan, Safeway chairman and president, at right, hands a 30-year service pin to Vern Welker, Arizona division manager. Presentation took place in Phoenix at the semi-annual gathering of division managers, a Magowan innovation.

Safeway Private Labels Listed

The following is a list of all the Safeway private label brands being offered by the chain:

AIRWAY: Coffee.
BAND BOX: Ice cream.
BEL AIR: Frozen fruit, vegetables and juices, waffles.
BLOSSOM TIME. Milk.
BREAKFAST GEMS: Eggs.
BREEZE: Cheese.
BROCADE: Toilet soap.
BUDGET: Brooms.
BUSY BAKER: Cookies and crackers.
CURTSY: Cakes and donuts.
CANDI-CANE: Sugar.
CANTERBURY: Tea.
CAPTAIN'S CHOICE: Frozen fish.
CHEE ZIP: Cheese.
CHERUB: Evaporated milk.
COLDBROOK: Margarine.
COVERED WAGON: Flours.
CRAGMONT: Soft drinks.
CREAM O' THE CROP: Eggs.
CROWN COLONY: Spices and extracts.
DAILY DOZEN. Eggs.
DAIRY GLEN: Butter.
DAIRYLAND: Evaporated milk.
DALEWOOD: Margarine.
DUTCH MILL: Cheese.
ECONOMY: Prepackaged produce.

A SPOT UP FRONT FOR ITS OWN BRAND: This featured display in one of Safeway's Oklahoma City supermarkets gives a prominent position to the chain's instant coffee that features the company's big "S" on the jar label, just introduced last

EDWARDS: Coffee.
EL GRANDE: Flours.
EMPRESS: Jams, jellies, preserves, honey, canned fruit.
EVERGREEN: Brooms.
FIDELIS: Wine.
FIRM FRESH: Prepackaged produce.
FLUFF-I-EST: Marshmallows.
GARDENSIDE: Canned vegetables.
GLENN-AIRE: Canned fruit.
GLENVIEW: Dried fruit.
GOLDEN HEART: Flours.
HALVES O' GOLD. Canned peaches.
HARVEST BLOSSOM: Flours.
HAWTHORNE: Bacon.
HIGHWAY: Canned fruit, juices and vegetables.
HOLIDAY: Cakes and donuts.
HY-PRO: Bleach.
JELL-WELL: Gelatins and puddings.
JOYETTE: Ice cream.
KEEN: Golden shortening.
KITCHEN CRAFT: Flours.
LAC-MIX: Instant powdered milk.
LA LANI: Canned pineapple and pineapple juice.
LA MESA: Wine.
LUCERNE: Milk, cottage cheese, ice cream.
LUNCH BOX: Sandwich spread, peanut butter.
MANOR HOUSE: Frozen poultry and meats.
MARIGOLD: Brooms.
MELROSE. Cookies and crackers.
MONTE CRISTO: Wine.
MONTROSE: Butter.
MORNING STAR: Eggs.
MRS. WRIGHT'S: Bread and rolls.
NIP 'N TUCK: Pet food.
NOB HILL: Coffee.
NU-MADE: Mayonnaise, salad dressing and oil.
OAK GLEN: Eggs.
OVENGLO: Cookies and crackers.
OVEN JOY: Bread and rolls.
PACK TRAIN: Syrup.
PARADE: Detergents.
PARTY PRIDE: Ice cream.
PENNANT: Tea and coffee.
PIEDMONT: Vinegar, mayonnaise, salad dressing and oil.
POOCH: Pet food.
PRINCE LEO. Canned fish.
PRINCE PAUL: Canned fish.
REAL ROAST: Peanut butter.

RED ROSE: Bacon.
ROXBURY: Candy.
ROYAL SATIN: Shortening.
SAFEWAY: Instant coffee, sausage, brooms.
SCAMPER: Detergents.
SCOTCH TREAT: Frozen juices, fruit and vegetables.
SEA TRADER: Canned fish.
SHADY LANE: Butter.
SHASTA: Jams, jellies, preserves.
SHOW BOAT: Rice.
SKYLARK: Bread and rolls.
SLEEPY HOLLOW: Syrup.
SLICES O'GOLD: Canned peaches.
SNOW CLOUDS: Marshmallows.
SNO-WHITE: Salt.
SOMERSET. Sausage.
SPRING HOUSE: Butter.
STERLING: Sausage.
SUNDOWN: Canned fruit.
SUNNY BANK: Margarine.
SUNNY HILLS: Popcorn, dried beans, peas, lentils.
SWEETWOOD: Bacon.
TASTE TELLS: Catsup, tomato sauce, prepared foods (pork-beans, etc.).
TEA GARDEN: Jams, jellies, preserves, syrup, canned juices.
TEMPEST: Canned fish.
TORANTO: Olive oil.
TOWER: Sausage.
TOWN HOUSE: Canned fruits, juices and vegetables, catsup.
TRADER HORN: Spices and extracts.
12-GRAND: Eggs.
VAN ZEE: Cheese.
VELKAY: Shortening.
VINECREST. Dried fruits.
WAKEFIELD: Coffee.
WALDORF: Prepackaged produce.
WESTAG Spices and extracts.
WHITE MAGIC: Cleanser, granulated soaps, liquid bleach and starch.
ZIPPY: Pickles.

Selling Safeway Seen Harder for Brand Men

The outside brand manufacturer is beginning to realize that the sales road leading to Safeway may not be too smooth in the future.

Safeway's buying doors are still as open as they were since the new management took over. But Safeway's private label merchandising is becoming more effective—and those division managers pre-sold on various national products are already carrying them. Safeway division heads who have not yet added a certain national brand by now are obviously unconvinced that it can outperform brands now in stock.

When Robert A. Magowan, chairman and president, eliminated retrictive policies regarding outside brands, many divisions rushed to add them. Safeway store shelves splashed with labels previously played down or not carried. They were given more shelf space. Store managers, with new authority, began setting up abundant floor displays around outside products. Zone newspaper ads began plugging away at products and names all but ignored in the past.

Safeway's supplier relations rose to a new high and have stayed there. From here on in, however, the outside brand salesman will find tough opposition to any more inroads at Safeway.

While Safeway's private label policy has become more friendly, the private labels themselves have become more competitive. A supplier company manager must not only offer a product competitive in every way with national brands, but he must also run a profitable processing plant. It is not enough to produce an item only profitable to the division. He must make an equitable return on the capital it takes to operate his company.

One method used by Safeway supplier companies to move products to the division is use of a bonus system. This is one weapon the national brand manufacturer cannot use with Safeway. Here is how it works:

- If a Safeway division plugs Lucerne, Safeway's dairy label, it is entitled to share in Lucerne's profits. If the division sells 10 per cent of Lucerne's production, it is credited with a per cent of Lucerne's manufacturing profits at the end of the year. Since the division manager cannot justify his position without profit, his attention is pulled toward Lucerne and away from other brands.
- With Lucerne he shows not only a retail profit but also a profit from the manufacture of Lucerne products. With a national dairy brand, his books would show only one profit.
- Equally as enticing to the division manager, however, is the fact that he personally shares in Lucerne's net earnings. He is awarded a bonus at the end of the year in proportion to Lucerne's income.

The outside brand can only buck the system one way: He must make his brand so profitable and in demand that the Safeway customers and competitors favor it.

William S. Mitchell, Safeway's vice-president in charge of supply, says he is looking for the best year in history in 1958 for Safeway's brand operation. While some of this will come out of expanded sales volume, a portion of it will come out of the hide of national brands if Safeway's private brand promotions are up to snuff.

Safeway Supply Facilities Reduced By 30% in 2 Years

The drastic cuts and realignments made in Safeway's supply setup in the past two years have reduced the number of its manufacturing and processing facilities by better than 30 per cent. The results, however, have not been to weaken the company's private brand program. Production was merged into fewer facilities and less efficient plants were closed.

As of Feb. 1, Safeway had 102 processing, manufacturing and supply plants in operation in addition to several pre-packaging produce plants and warehouses with packaging lines.

These include: 21 bakeries, one milling plant, two cookie and cracker plants, one gelatin and dessert, one candy, seven coffee roasting facilities, one vegetable oil refinery, four mayonnaise and salad dressing, three bleach, one soap, two preserve plants supported by two fruit processing plants, one carbonated beverage plant, 23 egg candling plants, two butter plants, 12 milk plants with two more under construction, and another being replaced with a new facility, one cheese plant and 14 ice cream plants.

7. Non-Foods

Safeway Non-Food Volume Is Rapidly Nearing 4% of Total

Safeway's non-foods volume is steadily moving higher. It increased 30 per cent in 1956 and moved ahead substantially in 1957. The trade expects the company to make another strong increase in 1958.

A portion of this jump is in line with Safeway's increase in its total sales and general expansion. Most of it, however, is credited to Safeway's decentralization of non-foods buying and authority and a keener interest in health and beauty aids.

Safeway's non-foods volume represented 3 per cent of the company's total sales in 1956—nearly $60 million. In the first half of 1957, non-foods sales were equal to 3.25 per cent of total volume. This trend continues.

Average gross profit, 30 per cent in 1956, declined slightly in 1957 as more competitors took on non-food merchandise. The average Safeway store devoted 7.5 per cent of its total floor area to this merchandise, grossing $6 per square foot per week in non-foods in 1956.

Safeway classifies its non-foods operation in three categories:

1. Magazines and books;
2. Health and beauty aids;
3. Miscellaneous, including: Garden equipment, hardware, housewares, music, notions, photographic equipment, school supplies and stationery, soft goods, toys and games.

Here is how Safeway's non-foods volume breaks down for 1956 and the first half of 1957, compared to total volume:

	1956	1957 (First Half Only)
Health and beauty aids	1.5%	1.75%
Magazines and books	0.5%	0.5 %
Miscellaneous	1.0%	1.0 %
Total	3 %	3.25%

It is noted that while books, magazines and miscellaneous items increased in volume in proportion to Safeway's over-all sales increase, health and beauty aids jumped one-sixth in volume.

A 16-zone tabulation in 1956 of Safeway's United States operation indicates that Safeway used rack jobbers in 12 of these zones. None of the 12 relied upon rack jobbers exclusively.

Four of the 16 zones were not using rack jobbers at all. They were ordering non-foods through the zone warehouse or for delivery directly to the stores from outside suppliers. No zone was exclusively rack jobber.

The trend among Safeway zones is away from the rack jobber, according to Safeway officials. This is not the result of headquarters dictum. Decisions are up to the division manager. The rack jobber is winning or losing his Safeway accounts at the zone level.

Headquarters has relinquished virtually all control over division merchandising decisions—and with it, control over non-foods.

When Robert A. Magowan became chairman of the board and later its president, the supply setup was reorganized. With it, the headquarters non-food operation underwent drastic change.

Central buying was eliminated. Divisions were told to chart their own course in all merchandise. Mr. Magowan asked only that division non-food setups be competitive and as profitable as competition would allow.

Under Lingan A. Warren, former executive head of Safeway, headquarters did not foist non-food products on the divisions but the division manager felt a strong obligation to order goods purchased at the headquarters level. This has been eliminated.

The division now buys as it pleases. This takes one of three courses; often all three.

1. The division works through a rack jobber.

2. The division buys direct from a wholesaler or established representative of the manufacturer, who, in turn, ships to the zone warehouse or to the zone stores, depending upon the manufacturer's traditional delivery pattern.

3. Divisions order against a national contract negotiated through chain headquarters. The order is placed direct with the manufacturer, however, and deliveries are made from the manufacturer to the zone.

The last category comprises a small part of the total non-foods volume.

An outstanding example of headquarter contract buying is in hosiery. Hosiery mills were lined up by headquarters to produce and supply hosiery under Safeway's truly fine label. It is up to the division manager, however, as to how much hosiery he wants to carry at any particular time.

Hosiery, brought out last month, is Safeway's only private label non-foods item.

Safeway's total electric housewares volume is minute. The Washington division has offered this type of goods in its catalog, Los Angeles offered it in its Bakersfield unit. Most zones have not entered this field except for occasional promotions. San Francisco offered four electric housewares items last September in a traffic building promotion but does not stock them regularly.

Contrary to occasional trade rumors, Safeway is not experimenting with a rack jobbing subsidiary of its own. Neither headquarters nor the zones have entered such a project.

Shortly after Mr. Magowan assumed command, he sought to stimulate more non-food merchandising without encouraging his division managers to plunge headlong into it.

Divisions gladly took the cue and began giving more space to non-food categories.

Occasionally a division went too far. A recent example is the "discount center" set up in the Bakersfield unit. From the day it opened it not only antagonized the city's housewares and major appliance merchants—but it also violated a major tenet of Mr. Magowan: That a non-food operation should not require special clerks, a large amount of floor space and heavy advertising.

While Safeway headquarters

frowned on sale of big ticket items, the Bakersfield unit was promoting such items as high fidelity equipment, radios and air conditioners.

In 1956, Milton Selby, then president under Magowan as chairman, outlined the company's philosophy on such projects:

"Safeway believes that the sale of non-food items adopted to self-service display and food retailing practices is a permanent addition to grocery store operations. However, such heavy non-food items as appliances, radios, major garden supplies and sporting goods which require a large amount of floor space, have a slow turnover and do not lend themselves to self-service selling, are in a different category. Few food stores have the space, trained sales personnel or capital required to profitably handle such items."

Obviously, this rule can only be as rigid as Safeway's competition allows it to be. If a competing store begins taking Safeway customers by opening an electric housewares department, and it was determined that Safeway was losing business because of it, Safeway would parallel the competitor's operation with a similar department.

Generally, Mr. Magowan's thinking is this: "We are food retailers. We intend to remain food retailers. We will not attempt to become the vanguard in non-food merchandising."

This attitude surprised much of the trade. With a background that included service with R. H. Macy & Co., few outsiders thought Mr. Magowan could resist the temptation of moving toward a familiar field offering high markup. He proved, however, to be as turnover-minded as veteran food men.

Considers Merchandising In Non-Foods Experimental

The largest Safeway division in the country considers almost anything which it does in non-food merchandising as experimental because there are few precedents which have been established to date. This division, headquartered in Los Angeles, offers the gamut of non-foods but is particularly light on soft goods such as jeans, socks and shirts.

No major changes have taken place in non-foods buying since D. B. Kane became division manager late last year. However, at that time Mr. Kane told SUPERMARKET NEWS his division would merchandise non-foods only where they did not interfere with Safeway's prime objective — sale of groceries.

While Mr. Kane investigated the Los Angeles operation, it was reported here that non-foods buying was at a near standstill. During that period, Safeway's Discount Center in Bakersfield, Cal., was ordered terminated. This operation, unique in the national chain, had offered television receivers, air conditioners, high fidelity equipment, electric housewares and housewares items at cut prices. In recent weeks, the section was allowed to exhaust its stocks, and now the center gondolas, formerly used for discount selling, once more merchandising conventional supermarket lines.

Another move considered significant was the replacement of Los Angeles division non-food buyer William Pyle by Earl Chamberlin a few months ago. Since that period, Safeway has been apparently charting a more conservative course in non-foods. A spokesman noted, "As always, we are open to any new ideas and approaches to merchandising non-foods. We are constantly re-evaluating our program."

"We try to tailor our non-foods departments to fit the store and the area in which it operates. If a certain non-foods category shows sales possibilities, we usually enter it," a Safeway spokesman asserted.

Much of Safeway's non-foods in the Los Angeles division is handled by rack jobbers. At present, most housewares are offered on this basis, and some of the health and beauty aid items.

It was noted that the situation fluctuates, however, depending upon whether certain items handled through Safeway's central warehouse can generate enough volume to be carried profitably in this manner. Safeway uses rack jobbers for its phonograph records and also for its entry into greeting cards, pet supplies and toys. The only non-food Safeway label item handled in this division is the nylon hosiery introduced by the firm late last year.

Substantial Increase In San Francisco Division

The San Francisco division, second largest in the company, had a substantial increase in non-food sales last year.

Progressively more active in non-foods in the past nine years, the 209-store division does better than 5 per cent of its total volume in this category.

The division uses the back jobber as the foundation for its non-foods business. Both Bay and Sacramento zones are serviced by jobbers, Rawson Rack & Sundry Co., Inc., Emeryville, being the major rack company used.

Rawson accounts for most of the division's sales in housewares and health and beauty aids.

The division began merchandising this type of goods through a rack jobber about eight years ago. Prior to that time, the company had purchased direct from suppliers. Rawson took over the Bay zone rack duties in 1950 with housewares. Safeway continued direct purchasing of health and beauty aids for a time, but finally gave that category over to Rawson.

Safeway added plants and hosiery jobbers in 1953 and 1954 in San Francisco The division began merchandising phonograph records in 1949, mainly children's discs—but gave this over to a jobber 18 months ago. Since that time, the jobber has changed the record offerings to include mainly popular music and concert music.

Toys were added in 1955 and greeting cards on a year-round basis a year later. Both are handled by jobbers.

The chain does not rely upon the jobber completely, however. Many stores supplement the racks with housewares ordered directly from Safeway's central grocery warehouse. These are stocked near the jobber racks. Total volume in warehoused merchandise is small compared with jobber-handled sales.

Aside from using the rack jobber, the San Francisco division has used three methods to net non-foods dollars:

1. A separate non-food section was set up in the Market-Duboce store here when it opened in 1954. Merchandise is, for the most part, purchased direct from manufacturers and wholesalers.

2. Two new stores carry a non-foods section with goods ordered

through Safeway's central warehouse.

3. Sporadic promotions to increase traffic, using housewares as a vehicle.

An example of Safeway's sporadic housewares promotions in the San Francisco division is a recent trade-in housewares event held in both zones. Part of a long-term campaign to increase store traffic, the promotion centered around four housewares items. Offering a trade-in discount, Safeway advertised Dormeyer Fri-Way automatic electric frying pans at $14.95; a Hawthorn eight-cup electric coffee pot at $6.95; Swing-A-Way can openers at $1.98 and an Everyready magnetic flashlight at $1.39. The promotion also offered a Kodak Brownie starflash camera at $6.95.

Safeway advertised that the trade-in item need not be comparable to the goods offered. A traded-in frying pan, for example, did not have to be electric. "Any skillet will do," the ads said.

All traded-in merchandise was given to Goodwill Industries, an organization for the welfare of the blind. In this way, Safeway promoted to increase store traffic while associating housewares with the Safeway name—and made a community goodwill gesture to boot.

In its latest San Francisco division non-foods experiment, Safeway recently opened non-food sections in two new markets. Locations at Phelan and Ocean Avenue and 30th and Noriega, both in San Francisco, are purchasing non-foods direct from the Safeway warehouse across the bay in Richmond. No direct buying or rack jobbing is done in these departments. Safeway says there are no plans to extend this type of non-foods operation throughout the division.

These non-food sections are not set apart from the rest of the grocery operation. They comprise only a part of one grocery display area. The Noriega unit, for example, gives part of a grocery gondola to non-foods.

Another Safeway experiment which was started May 1, 1954, involved a 3,200 - square - foot non-foods "store within a store" at Market and Duboce Streets. This was watched closely by the trade. It was the biggest single move by Safeway into non-foods and it was a separate operation. The non-foods section is separated from the rest of the store by a broad concourse. It has its own turnstile and two checkout stands.

This department has been a success in the past four years but management confides that the concourse set-up has not proved as popular as it had hoped:

The section slows the shopper, gives her another checkstand to go through—and most important, it eliminates the benefit of impulse selling, so important to a non-foods operation. Any exposure to the merchandise is deliberate, since the shopper cannot see the merchandise without leaving the grocery section and entering the non-foods area through the turnstile.

Consolidation Keys New York Operation

Consolidation is the key word in non-foods activity at Safeway's New York division headquarters.

The division, under the management of Fred E. Rowland, is currently pruning rack jobbers from its non-foods department. Six of seven jobbers now servicing the 182 markets in the division will be dropped with Akorn Housewares Corp., Brooklyn, remaining to handle all non-foods items but nylon stockings, health and beauty aids, and certain fast-moving, promotional articles.

Earlier this month, Safeway dropped its jobber of health and beauty aids in metropolitan New York. The division is now supplied with this merchandise directly from its distribution center in Kearny, N. J. Beginning next month the chain will sell its private label Truly Fine brand stockings in the New York area. No other nylons will be carried there.

These consolidant moves, as Mr. Rowland sees them, will serve to place a greater degree of control of non-foods merchandising in the hands of the chain.

"We have no intentions to expand or experiment with non-foods," Mr. Rowland said. He explained that the New York division regarded non-foods as convenient items for Safeway customers and added, "first and most important, we are in the food business."

Noting that many non-foods items afford higher markups than foods, Mr. Rowland indicates that the best way to take advantage of this factor is to sell only the fast-moving items in each non-foods category.

Supervisors are understanding instructions to observe racks in stores they visit. The best way to detect slow movers, Mr. Rowland said, is to "watch the dust."

The consolidation, as it reaches the retail level in the New York area will find soft goods taking the most drastic cuts. Housewares will lose some space and toiletries will be expanded. Stationery items, toys and hardware, always carried on a limited basis only, will remain basically the same.

"A greatly decreased number of soft goods will be stocked. Some markets will sell no more than hosiery," Mr. Rowland said. He cited as an example a store which had devoted 40 linear feet of display space to soft goods and now has but 16 linear feet.

No Extensive Activities In Capital Area Plans

Safeway, in its Washington, D. C., division, does not go in extensively for non-foods, compared with other retailers in that area. Except for a few one-shot promotional items which are handled through the warehouse and nylon stockings, all non-foods are handled by rack jobbers.

Safeway here has two rack jobbers, one for housewares and another for health and beauty items.

The one-shot promotional items which have gone through the warehouse have included encyclopedias, a coffee urn, occasional appliances.

The division is now cleaning up on a few odds and ends left over from appliances sold at discount, which had been warehoused. One store still selling some offered a Westinghouse coffee maker, list $21.95, priced at $14.69; a Toastmaster toaster, $18.95, at $14.29; Borg bath scales, $7.95, at $4.98; Westinghouse steam iron, $16.95, $10.89; and a number of Revere skillets, dutch ovens, also discounted and selling at various prices between $5 and $10. When these items are sold out, Safeway does not plan any further appliance discount operation.

Safeway in the Washington area started out with a rack jobber who Safeway found to be relatively inexperienced and decided this was unsatisfactory. The division changed to warehousing non-foods and then decided this was also unsatisfactory. It now feels the best method for the division is to use experienced rack jobbers.

In contrast, the Seattle, Wash., division of Safeway does not make use of any jobbers.

Compared with other Seattle area supermarket companies, Safeway is not a major contender in the non-food category. Thriftway and A-G stores, here, the first with 62 stores in the State and the second with 47 stores, are much more complete in their non-food lines. So also are the corporate chain organizations around Seattle.

Safeway Divisions Vary Assortments

As is true for all other phases of Safeway operations, non-foods departments reflect the variation in divisional approach from one division to the next. Thus, Safeway markets in some areas offer a fairly wide variety of non-food items while others give the section a very small floor area.

Non-food section arrangements and assortments for typical Safeway supermarkets in some of the chain's divisions are reported below.

New York

The typical New York area Safeway market devotes in all, about 80 linear feet of gondola display space to non-foods items. Non-foods are also found in gondola end displays, at the checkouts and on special display tables spotted throughout the store.

One such market located in Bayonne, N. J., offers stationery, soft goods, housewares and health and beauty aids. Better than 90 per cent of the non-foods items on display were priced under $1.

Highest priced items are two Westinghouse electric pop-up toasters at $11.98 and two eight-cup Hawthorn electric coffee makers at $6.49. There were only two of each of these items on display, however, and a store spokesman said when they were sold they would not be replaced.

Soft goods dominate the big ticket non-foods items with men's chino slacks priced at $3.19, and girls' sweaters and slacks at $2.49.

Other soft goods offered were men's, women's and children's underwear, stretch socks, pajamas, blouses and dungarees. Average price range in soft goods is about $1.60. About 25 linear feet of gondola space is used for soft goods display.

The health and beauty aids section of 20 linear feet in a heavy traffic location is dominated by 29 line items of tooth paste. Medicines for headache relief, various internal disorders and treatment of colds are also prominent. Other items found here include shaving preparations, hair care products, adhesive tape, cotton, nail polish and skin creams.

The housewares department is contained in a section of gondola display, 20 feet long and four tiers high. A small selection of aluminum bake pans, Pyrex dishes and kitchen gadgets fill this space. Prices range from 29 cents for a set of salt and pepper shakers to $2.99 for a 1-quart vacuum bottle made by the American Thermos Products Co., Norwich, Conn.

Los Angeles

Safeway's newer markets in the 18,000- to 25,000-square-foot class are possibly the best harbingers of how non-foods are developing in this area. Such stores reflect built-in planning and more generous space availability in Westchester, Cal., about 17 miles southwest of Los Angeles, Safeway opened such a store late last year.

A conventional gondola there is devoted to housewares, glassware, plastic housewares.

Several Fostoria electric toasters are offered at $6.88 on regular shelving in this section. Other brands and prices are as follows: Vaughn's Flex-roll can openers $2.98; Griswold cast ironware 9-inch skillet $3.42; 7-inch $2.69; 5-inch $2.23; 4-inch $1.93; Comet aluminum coffee pots $1.98; Pyrex coffee makers $3.50 to $4.95; Alladin polyethylene pitchers and dish pans $1.49. Regular kitchen tool stock is shown on Pegboard hangers, but a special impulse display was also set up near the checkouts featuring the stainless steel rack at 49 cents and the complete tool set at 89 cents.

Washington, D. C.

In Safeway's Washington, D. C., division, which has been very limited in non-foods operations, items in one typical store included dishes at 15 cents, a few dolls at 89 cents; a stationery display of small items; a small record display, ironing board covers and magnetic dust cloth at $1.49. End-aisle displays were of pet items and lamp bulbs, with one side of one gondola for the traditional supermarket health and beauty aids, housewares and a few soft goods items.

Other items were bobby pins, shoe laces, combs, baby pants, hair nets, handkerchiefs, men's briefs, socks, work gloves, plastic storm window kits, cord, thread, batteries and various housewares, all also under $1.

Only items above $1 were Wagnerware iron skillets at $1.25 and $1.95. Other items include Alumode aluminumware, men's belts, kitchen knives, Ekcoware items, such as spatulas, plastic and woven baskets and can openers, etc

San Francisco

Typical merchandise selling for more than $1 in San Francisco includes:

Lustro-Ware clothes hamper, $8.95; Columbus Plastic Products, Inc., Columbus, O.; Cushion-Eze polyethylene drain tray, $1.49, Artcraft Wire Works, Camden, N. J.; aluminum ice pitcher, $1.39, Federal E. & S. Co., Pittsburgh; Permier five-in-one aluminum combination cooker, $2.19, Enterprise Aluminum Co., Massillon, O.; Pyrex six-cup tea pot, $2.75; Corning Glass Works, Corning, N. Y.; Snack Pal electric toaster and broiler, $5.95, McGraw Electric Co., Boonville, Mo.; Alladdin (Safeway) broom, $1.99, Keystone Products Co., San Francisco; Peek-A-Boot women's rain boot, $1.98, Peek-A-Boot, Los Angeles; O-Cedar 76 sponge mop, $3.95, O-Cedar division, American-Marietta Co., Chicago; Penn Champ Motor Oil, 1 gal. can, $1.98, Penn-Champ Oil Corp., Butler, Pa.; Plas-Tex waste basket, $3.49, The Plas-Tex Corp., Los Angeles; Detecto Bathroom Scale, $4.98, Detecto Scales, Brooklyn, N. Y.; eight-piece boxed glass beverage tumbler set, $2.98, Federal Glass Co., Columbus, O.; 1 quart thermos food jar, $3.45, American Thermos Products Co., Norwich, Conn.; vinyl shower curtain, $1.98, Joseph's Products, Portland, Ore.

Other merchandise in the non-foods department included toys, cosmetics, drugs, baby sundries, children's books, records, magazines, garden supplies, kitchen and bathroom utensils, hardware, tools, electrical supplies, cameras, transistor radios, electric heaters, and a variety of other items.

Seattle

Related item displays are featured in some Safeway supermarkets, tying in non-foods with food products.

For example, Dry-Time baby pants and bibs are displayed with baby food; stemware with wine, beer goblets with beer; milk-glass plates with cakes, and fruit bowls with produce.

These are some of the features

of the assortments carried by Safeway markets in this area:

Rubbermaid drainboard trays at $3.29, drainers at $2.19 and other Rubbermaid kitchen aids are featured throughout the chain. New and larger units also have Rubbermaid laundry baskets at $3.98 and other large items.

These are leading housewares items: Maynard egg beaters, $2.49; Ekco eggbeater, $1; Foley flour sifters, 98 cents and $1.79, for different sizes; Wagner Ware iron frying pans, $2.95; Aladdin vacuum bottles from $1.49 to $2.98, and Wyndale Manufacturing Corp.'s popper with electric plate, $3.69.

One of Safeway's newer area stores is selling Dan River percale bed sheets and pillowcases, 81x108-inch sheets at $2.98, 72x108-inch sheets at $2.79 and pillowcases at $1.39.

Cocoa door mats were widely featured at $1.29, as were Dolls of All Lands, supplied by A&H Doll Manufacturing Co., at 89 cents each. Some stores offered Horsman dolls at $3.48.

Larger Safeways are offering foliage plants, three for $1, and flowering plants, such as pots of tulips, hyacinths, and azaleas at $1.98 each, with larger foliage plants $1.25 to $3.49.

Phonograph records from leading companies are also offered throughout Safeway stores in this city.

BIG AD, A DIFFERENT TOUCH: Safeway, in Richmond, Va., ran this full-page promotion for its health and beauty aids. Lighter type and liberal use of white space, contrasting with general supermarket chain ads, provided a distinctive approach.

Safeway Operates Drug Store Next To Jersey City Unit

A little-known fact about Safeway's non-food operation is that the chain has, for the past five years, operated a drug store. It's next door to a Safeway supermarket in Jersey City, N. J. The store is operated under the name Mercer Drug Co.

When the drug store was opened in December, 1955, it was said to be an experiment to learn the most practical methods of running a self-service drug operation.

The store is basically a neighborhood drug store. It features a prescription department with registered pharmacists in attendance. Also offered are housewares, toys, stockings, cosmetics and candy. Some departments are serviced by rack jobbers who also service Safeway supermarkets. Very few items are supplied by Safeway's Kearny, N. J., warehouse.

The only food items handled are ice cream and cookies. The ice cream is Safeway's private label, Cotillion and Party Pride, but the cookies are manufacturers' label items.

The Safeway supermarket adjoining the drug store stocks many of the same health and beauty aid items sold in the drug store. Also duplicated are stockings, candy, cigarets and ice cream.

Fred E. Rowland, Safeway's New York division manager, said "While the drug store has been financially successful and we have obtained valuable information from its operation, we would not be adverse to the idea of selling or leasing it. We are, after all, mainly in the food business."

8. Perishables

Safeway Meat, Produce Total 35.7%

If Lingan A. Warren was a harsh critic of industry shortcomings, he was even more scathing in his appraisal of Safeway's faults. This was especially evident a dozen years ago in his criticisms of Safeway's retail meat operations, and four years ago in his evaluation of the chain's produce departments.

Top quality meats and produce were shabby by the time they reached the consumer, Mr. Warren observed. The company's perishable reputation was bad and competitors parlayed this fact into more business for themselves.

Mr. Warren freely admitted this failing and mapped out a drastic program to correct it. The program continued in use when Mr. Warren resigned and Robert A. Magowan assumed command. Few departments survived the new management with so little change as did the produce and meat departments. Mr. Magowan appraised them, liked them, told the department heads to continue with the program as before.

The source of Mr. Magowan's satisfaction lies in the records. The program, from its inception, took Safeway's meat and produce volume from a mediocre level to a grand total of approximately $755,769,000 in 1957. The perishables operation now accounts for about 35.7 per cent of the company's total volume. Here is how it breaks down:

Meats: 24.2 per cent or $512,-314,000.

Produce: 11.5 per cent or $243,-455,000.

Mr. Warren's quarrel had not been with the procurement arm of Safeway's perishables operation. It lay mainly in the handling and retailing of the products.

He tackled the meat operation first When Mr. Warren became president in 1934, fewer than one-third of Safeway's locations had meat departments, a typical ratio for chains in those days. Most of these were concessions. He began installing meat operations in all stores and eliminating concessionaires.

World War II interrupted Mr. Warren's meat program but he continued it after 1945. In 1950, Mr. Warren began large-scale switching to self-service meats. Virtually all new stores since have self-service meats. He drove hard on the subject, began putting these departments in remodeled stores as well.

Mr. Magowan has continued this program. Today, 67 per cent of Safeway's units have self-service meats. The remaining 33 per cent are service operations, though many combine some self-service with their operation.

Installing self-service meat counters was one of Safeway's biggest gambles. It had been done before but never on so grand a scale. Safeway has never regretted the move. It likes the potential economies of such an operation — and believes its customers enjoy the conveniences it offers.

The method of operation varies widely by division. In Denver, for example, Safeway's self-service meat departments are staffed with hostesses as well as the regular cutting crew. The customer is able to consult with the hostess if a cut of meat is desired that is not on display.

Some divisions use a Bell system for special attention; others have a window into the cuting room where the customer can communicate with the meat department manager. Sometimes the manager works the floor. Within the past few years, Safeway has taken steps to stress these special services.

Meat Program Built Around Choice Grade

Safeway's meat program is built around the Choice grade. Exceptions are few. Only the strongest customer demand in a given area convinces Safeway to go to lower grades.

Like the retail division setup, Safeway's meat buying operation is highly decentralized. Safeway has 30 buying offices in meat, poultry and fish producing areas. These offices, connected by a fast teletype network, are relatively uncontrolled by headquarters in Oakland. The main office keeps the buyer informed, coordinates information and advises on marketing developments.

Buying decisions, however, are made in the field. Safeway's buying procedures begin from the roots: The retail zone. Virtually all Safeway meats are purchased against a specific zone order.

The Los Angeles zone meat merchandiser, for example, may make it known on the teletype that his zone is short on beef and fryers. Each buying office in beef and poultry marketing areas will advise the zone of the latest price and quality offered in their respective marketing areas. The zone decides what it wants and where to place the order. Only then are specific orders placed to the resources by the field office.

Very little is purchased and warehoused without prior zone orders. Exceptions are seasonal products such as salmon and halibut. These are bought and warehoused through headquarters coordination.

Most Safeway meat orders are placed with local sources. Biggest exceptions are Washington, D. C., and New York divisions, located too far from producing areas. More than 90 per cent of Safeway's meats are bought through packers. The balance goes through wholesalers and jobbers.

Depend on Over 400 Regular Supplier Sources

Safeway slaughters and packs no meat. It depends on more than 400 regular suppliers in the United States alone.

During World War II, the company entered the slaughtering business as a defensive measure when resources began drying up. It began shedding these properties as soon as the war ended, keeping only three installations in the West. Los Angeles and San Francisco plants were eliminated in 1956; the last Safeway slaughter plant, at Nampa, Idaho, was sold to Armour & Co., last year. These plants had supplied only a fraction of Safeway's total meat needs.

Safeway does no central packaging in fresh meats. Packaging is done at the store level. Safeway centrally packages some sausages, luncheon meats and other delicatessen items and corns some products. Safeway's private label activity in meats comprises a small fraction of the total operation.

In the warehouse, carcasses are broken into primal cuts for shipment to the stores. Beef carcasses are broken into primal cuts. Lamb breaks into fewer cuts than beef and there are some cases where the entire carcass is shipped to the store. Packer deliveries are made direct to the stores only where no meat warehouses exist.

Donald M. Phipps is the manager of the Meat Supply division. He held the same post under Mr. Warren. He controls three departments within the division. Here is how they break down:

The meat buying department is managed by Hy Gregersen. Within this department lies the poultry operation headed by H. C. Bell. Red meat and poultry account for approximately 90 per cent of Safeway's total meat volume, according to trade estimates. Fish and processed meats make up the balance, it is said. Safeway does not reveal the breakdown.

The fish buying department is headed by John Mandas and the meat processing department by F. D. Cummings. The latter department is responsible for such items as sausage and luncheon meats.

Took Produce Section To Task in 1953 Letter

Mr. Warren took Safeway's retail produce operations to task in 1953.

In an open letter to employes, Mr. Warren said.

"We have achieved a bad (produce) reputation, which is the only one we deserve.

"The big defect in our produce section operations is that for years past, all up and down the line of management we had the wrong concept of what it takes to make Safeway the best place in town to buy produce. Specifically, we have thought in terms of labor costs, profits, spreads, markdowns and spoilage. We have not concentrated fully enough on doing our job the way customers want it done."

The next spring, Safeway launched its largest produce promotion.

The campaign took for its slogan a phrase from Mr. Warren's letter: "Safeway is the best place in town to buy produce." An extensive billboard campaign sprang from headquarters. The zones backed it up with newspaper, TV and radio advertising. In the first 20 weeks, Safeway produce tonnage increased 10 per cent.

Accelerated in 1955, Safeway had its record tonnage showing that year.

Campaign Centered On Better Handling

The campaign centered around more than advertising, however. Its deepest roots were in finding and using better methods of handling. Ways to reduce spoilage and bruising were incorporated along the pipeline. Faster shipping and packing methods were employed.

Safeway's retail produce departments began to brighten considerably. They have remained that way. Using produce as a traffic builder, Safeway sales increased in all departments.

In 1956 the promotion campaign diminished in size, with zones gaining local option on whether to continue it. Tonnage also dipped from 1955 levels, but not to any great degree. The 1957 tonnage, while not yet tabulated, will equal or be just slightly under the record 1955 total.

Safeway did not rest after the campaign was reduced in size, however. The fight to improve handling and reduce spoilage continues. A reliable source indicates the Safeway's spoilage costs peaked $7.5 million in 1955.

The produce division is headed by R. J. Matheison, who served in the same capacity under Mr. Warren. His division splits into two departments: The produce buying department under Guy S. Bear and the Safeway Pre-Pakt produce department under M. J. Christensen.

As in the case of meats, very little produce is purchased by the field office unless the zone first orders it. An extremely small portion of the total is purchased direct by individual stores.

Safeway's produce setup consists of the head office department manager in Oakland with area managers located in Dallas, Denver, Los Angeles, New York, Phoenix, Seattle and Oakland. There are 30 branch offices, including the area managers' offices and seven seasonal field offices. These field offices shift across the country as various deals develop.

For example, at the end of the Florida deal, buyers from that operation are transferred to other assignments, including covering the peach deal from Georgia through Pennsylvania, and then into Illinois and Indiana.

About 35 per cent of Safeway's total tonnage is pre-packaged with the trend still flowing upward. Most of Safeway's potatoes, for example, which comprise 25 per cent of total produce tonnage, are pre-packaged.

The Safeway buying offices are

connected by Teleprinter, a system initiated in 1956 and in full operation by July 1 of last year. The private line system ties in to buying offices, plants, retail zone produce merchandising managers and other supply and service company operations.

Most of Safeway's produce is purchased direct from the grower or packer with less than 25 per cent coming from other sources. Safeway grows none of its own produce.

While Safeway regards its tonnage as confidential, it is known that the company shipped nearly 85,000 cars in 1957. The division is shooting for a tonnage increase of better than 5 per cent in 1958, which would be the highest level in tonnage or dollars in company history.

TYPICAL OF SAFEWAY EMPHASIS on produce and meat in advertising are these recent ads. The avocado promotion was staged by the Los Angeles division. The ad was in green, marking the second time in recent weeks that color has been used for an early-in-the-week produce ad. Navels in an orange-color ad were featured earlier. The ad spotlighting meat was run in Amarillo, Tex. Noteworthy is that both ads featured recipes. Illustrated recipes have been used widely by Safeway, principally for meat ads, in recent months.

Packers, Growers Give Views On Chain's Operations

Midwestern meat packers agree there has been no significant change in Safeway's meat operations to match the major policy revisions of other parts of the chain's activities over the past two years.

Safeway's meat procurement has been, and still is, highly decentralized. Area needs are met on an autonomous basis, the same type of procedure followed by the majority of the large chains. The exception: A&P, which has a centralized meat operation.

In recent years—dating back prior to the Magowan regime—there have been attempts made to consolidate Safeway's meat activities, but packing sources in Chicago feel that little headway has been made. However, these same sources feel that the effort will continue to be made and it would not be surprising if the chain some day made the switch.

The chain maintains a buying

office on North Wells Street in Chicago, seemingly unusual, considering that Safeway does not have a store in the Chicago area or even in Illinois. But this office's chief function is to ride herd on special deals which crop up in the market from time to time. It also acts in a liaison capacity for regional buyers from across the country when they are unable to agree on a price with packing source. Very little buying is done by the Chicago procurement office.

Like many of the chains—again the exception is A&P—Safeway is said to be trying to get away from private labels in sausage meat. There's a feeling, but very little evidence, that Safeway has reduced its private brands in sausage meats over the past couple of years. But again, it's not a drastic change. The chain has its own sausage plant in Wichita, Kan.

Poultry sales, which are zooming, are said to make up 25 to 30 per cent of the meat business.

One major difference between Safeway and rival A&P can be found in Government grading. While such grading holds relatively little appeal for A&P, Chicago packers speak of Safeway's meat executives as "strong Government-grade people."

By and large, according to packing sources, there's very little difference in meat standards from chain to chain. Each carries across-the-board stock and each pretty much carries this assortment across the country. Safeway does not make it a practice, market sources say, to differentiate between geographical areas as far as quality is concerned.

Safeway has had sprees of strong institutional approaches on meat and poultry in certain areas. The chain hits hard with meat in the majority of weekend ads, but then, so do most chains.

In the fight to reduce costs and bring its meat products to consumers at competitive prices, Safeway's central handling technique plays a major role. In the Denver area, for instance, the chain trims hindquarters completely at a central location. Trimmings that can be used are ground and packed in polyethylene bags in 20-30-pound weights. These are then shipped to retail stores, reground, and packaged in consumer sizes.

This handling of ground beef at the warehouse level tends to keep quality up. It also permits Safeway to control the amount of fat used in ground beef. In addition, the partial breakup of carcasses and trimming at warehouse level also results in uniform cutting, according to packer sources.

Grower Relations Seen Excellent in Produce Field

No division of Safeway enjoys better resource relations than its produce division, according to trade sources.

In the 1930s, Lingan A. Warren launched a series of farmer-chain campaigns that continue today. They center around relief for growers facing surplus or emergency conditions. Since that time, many millions of dollars in produce has been saved and marketed because of quick action by Safeway under emergency conditions.

A recent example occurred in California last May.

Strawberry growers were suddenly faced with a combination of unfavorable weather and shortage of freight cars. The berries had been picked but could not be moved.

A Safeway field buyer discovered the situation and in a matter of hours, Safeway was trucking the strawberries to its San Francisco and Los Angeles division zones. The Bay zone of the San Francisco division sold better than 90,000 crates in a week. In all instances the strawberries were sold at cost.

A few years ago, when Hurricane Audrey hit the eastern seaboard, Safeway aided apple growers in a similar manner.

Areas of surplus as well as disaster are also watched by the chain. Here, the company traditionally will not enter a surplus area without invitiation from the grower or grower association. An example is Safeway's apple promotion last year which was on a national basis and helped alleviate serious surpluses in Washington.

Safeway Shows Flexibility In Appalachian Demand

In the Martinsburg, W. Va., area that is the heart of the Appalachian apple belt, supply sources indicate that Safeway has shown considerable flexibility in its demand for fruit.

For example, in some cases the chain will take only prime fruit, while in other instances there is a call for fruit that can be moved at lower prices, a demand that is apparently inspired by competitive prices at the local level.

Growers have found also that Safeway is doing more local buying than in the past and perhaps more than other chains.

Growers in this Appalachian belt deliver to Safeway warehouses in the metropolitan areas, often hauling directly to New York. Growers are advised the stock is warehoused there and forwarded to stores as desired.

There is more flexibility in type of packages for delivery to Safeway than in the past and more than to some of its competitors, growers say. Much fruit is taken from area orchards in the field or open crate with provision for having the crate or box returned to grower. The fruit can be bought substantially under the price for tray-packed offerings.

The chain also has cooperated fully with growers the past few years in trying to move any oversupply of fruit. It has been done by advertising, by display in retail outlets, and by trying to make the price appealing.

Safeway takes a considerable volume of both peaches and apples from the Appalachian belt.

Safeway Buyers Respected By West Grower, Shipper

Growers and shippers in the Los Angeles area as well as agricultural areas in Bakersfield, Cal., and Phoenix, Ariz., have the greatest respect for the quality buying policies and "fair treatment" accorded them by Safeway produce buying department representatives.

It was pointed out that while some Safeway competitors have long felt the chain's produce operation was weaker than its other functions, growers and shippers believe that if this condition exists it cannot be laid to poor purchasing, but perhaps to less efficient handling at warehouse and store levels.

The chain of distribution in produce involves the principle of "a straight line is the shortest distance between two points." It was observed, this line involves first the grower-packer, the Safeway produce department buyer, the produce warehouse and the supermarket.

Because of the tremendous volume which the chain generates direct buying is not only feasible, but necessary in order to achieve quality uniformity. It was indicated, there is no set difference in quality buying for stores in area to area.

Safeway Produce Department Cuts Costs By Shipping in Bulk From Grower to Zone

Safeway's produce department has made a considerable stride toward cost reduction in the last five years by shipping in large lots from the grower to the zone.

Rather than prepack and ship potatoes in Idaho, for example, the commodity is shipped in bulk to the zone and packaged in consumer units at that point. This procedure is followed wherever zones and prepackaging plants are adjacent. Texas oranges, shipped in cribs, are prepackaged at Kansas City for that zone.

The crib load, equivalent to 28 cartons, is dumped by electric hoist into a prepackaging line. It is packaged at that point. Safeway calculates the time needed was cut from two hours to between seven and 12 minutes for this operation.

Here's how Safeway uses the large containers for bulk handling in the capital area:

"Cribs" about 40 inches square and about 36 inches high transport oranges and grapefruit and sometimes potatoes.

The cribs each contain about 800 pounds of citrus and about 1,200 pounds of potatoes.

At one time, Safeway experimented with truckloads of oranges, without containers, simply shipping 30,000 pounds of oranges loose in a truck.

It was determined, however, that the savings of this method were offset by the internal damage to the oranges caused by the weight against the bottom layers.

As a compromise, Safeway now uses the cribs rather than the standard crates. For citrus, the savings are still in the potential stage because several "bugs" remain to be ironed out.

Growers comment their operations are not geared to cribs and therefore they are not in a position to make labor savings which can be passed on to Safeway, officials say.

The original cost of the crib is about $10 compared with 40 cents for the carton. Also, there are labor costs in knocking down the crib, and the high cost of shipping the cribs back to Florida.

In shipping potatoes from Long Island, however, Safeway says it has realized definite savings.

First, Long Island potato growers have been able to take advantage of the labor savings offered.

Secondly, the haul is shorter from Long Island to Washington and the cost of transporting the empty cribs is much lower, especially since the trucks which bring the potatoes up would otherwise be making the return trip empty.

Safeway officials indicate they might be inclined to try the large containers for other produce also, but for the fact that California has regulations which prohibit large bulk shipments out of that State.

As all prepackaged produce is sold under Safeway's own Waldorf brand, Safeway will buy prepackaged produce only from what it considers reliable shippers from whom top quality produce only will be received.

Safeway officials, for example point out that the prepackaging operation can also be a grading operation, as in the case of potatoes, and therefore growers prepackaging has to meet Safeway standards.

Where Safeway sells an item both prepacked and in bulk, shipments of this item will be received at both warehouses.

Pricing Changes Strengthen Safeway

Robert A. Magowan inherited many blessings when he became chairman of the board of Safeway Stores late in 1955—but with the good came the bad. This included a pricing policy which had been driving Safeway's earnings ratio lower and had caused the Federal Government to initiate a devastating anti-trust suit against the chain.

From the day Mr. Magowan assumed command, the anti-trust suit became an anachronism. Mr. Magowan did not believe in many of the pricing practices which had caused the suit. He changed them immediately after assuming command. The suit, however, was against Safeway practices in prior years. It was continued.

Competitors watched the courts closely. They believed the court's decision might tie Safeway's promotional hands and take away many of its abilities to meet prices.

This did not prove to be the case. The suit ended last December in a consent decree which included some sweeping injunctions. They were rigid and inclusive. What competition did not immediately realize, however, was that for two years Safeway had not priced its goods in the manner finally adjudged illegal. In these two years, Safeway sales had risen to new highs; profits had jumped from $13,621,803 to nearly $31 million. The court had prohibited practices which, in effect, Mr. Magowan had discouraged two years before.

These changes in Safeway pricing attitudes had driven Safeway to a new competitive sharpness. In addition, the trade does not now believe that the court ruling prohibits Safeway from meeting competitive thrusts.

The court ruled that Safeway could no longer set arbitrary quotas in any geographical region. Mr. Magowan had discontinued this practice two years ago, although it never applied to Safeway's over-all operation.

The court issued an unqualified injunction restraining Safeway from knowingly setting its gross profit so low for any store that it will operate below cost. This also was in general accord with Mr. Magowan's price thinking. He had stressed repeatedly that all Safeway operations should be competitive but operate toward a profit.

The court had also imposed several restrictions on the chain regarding its pricing "if the purpose or effect is to create a monopoly or destroy competitors." Again, Mr. Magowan's price planning had not included this purpose.

Safeway had changed its pricing patterns before the court rulings were made but not because there was agreement with court charges. Safeway considered the allegations unfair and untrue. The policies had been discontinued because there was no room for them in Mr. Magowan's decentralization program; because he put more stress on profits; because he put more flexible interpretations on Safeway policies.

The court ruling notwithstanding, competitors see Safeway today as a more rugged competitor than ever before. They believe the chain has only slightly de-emphasized its price weaponry but has added to its other aggressive tools of operation: Promotion, variety, cost controls and flexibility.

Safeway's increase in gross profit rate has been substantial since Mr. Magowan became chairman. Its 1955 rate of gross profit, expressed as a percentage of sales, was 15.91 per cent. In 1956 this rose to a healthy 17.75 per cent. Nineteen fifty-seven figures are not conclusive but Safeway indicates that the rate of gross profit last year will range around 17.99 per cent.

This increase has not been mainly due to across-the-board increases in markup. Safeway attributes the rise to:

- Improved operating results of Safeway's manufacturing operations, resulting in lower costs to the divisions.
- Better over-all company efficiency.
- Reduction in expenses through consolidation.
- Reduction in expenses because of fewer brands.
- Fewer markdowns.

One of Safeway's biggest detriments to higher earnings was a policy made by Lingan A. Warren and headlined "Competitive Position" in Mr. Warren's policy book. It read: "Meet the lowest price of any competitor, item by item, day by day, and town by town. Each town or marketing area must be considered as a separate pricing problem and studied individually to determine what competitive prices must be met."

Mr. Magowan did not discard this policy. In effect, he took the stress off the first sentence and placed it on the second sentence. Safeway continues to meet competition's prices but a new definition has been placed on the word "competitor." Safeway no longer "takes on the whole town." It meets close competitors and ignores stores outside its keenest competitive perimeter.

Under Lingan Warren's administration a Safeway store might meet the prices of 20 competitors. Today that same store might price according to less than half as many.

The policy, in its strictest interpretation, had too much of an eroding effect on markup. For if 20 competitors each ran four different specials, Safeway would meet them all. Results: Safeway marked down 80 items while each of its competitors marked down four. Shoppers could go on a veritable buying binge at the Safeway location without touching a product that might be profitable to Safeway. It produced plenty of volume but shorter earnings.

By modifying this policy, Mr. Magowan removed one of the heaviest yokes from the backs of his division managers. The division could also be more wary of competitive lures. If Safeway felt a competitor had only a few cases of goods behind an advertised special, Safeway ignored the ad. In the past, Safeway often met the price only to end up moving 10 times the goods at no profit long after its competitor had run out of the item.

Safeway Lists Five Points Touching Consent Decree

When the Federal Government ended its anti-trust suit against Safeway Stores last December, Safeway would only comment that it was "pleased that an expensive litigation has been brought to a conclusion." Safeway officials outlined their thinking to SUPERMARKET NEWS regarding the effects of the consent decree which ended the suit. They listed five points, covering their reaction to the consent decree.

1. We will not initiate or be the first to make sales below cost or at unreasonably low prices, except when necessary to avoid or minimize loss due to spoilage or threatened spoilage of perishable products; to move or liquidate surplus supplies of seasonal products that have or are about to become obsolete; to dispose of imperfect or damaged products; or to close out products to be discontinued.

2. Our pricing policy will be designed to make available to ourcustomers prices which are set at the lowest points that will yield a reasonable profit, with the objective that when their grocery purchases are made at Safeway the value of their grocery dollar will be greater than it would be if their grocery purchases were made elsewhere.

3. We will at all times be competitive with those grocery stores that are properly regarded as major or effective competitors, subject to the restrains of the decree.

4. We will not resort to loss leader prices or a low price structure or locality price discriminations or engage in any other activity for any unlawful purpose, such as destroying competition or eliminating a competitor. When prices for the same products differ between areas, such differences will reflect or be based upon differences in prevailing price levels, local competitive and economic conditions and such other lawful factors as may exist. We will not use a high price structure in one area and a low price structure in another area for an unlawful purpose, such as destroying competition or eliminating a competitor, or to gain an unfair advantage by subsidizing losses or reduced profits in the low price area from profits in the higher price area.

5. In those areas in which State Unfair Practices Acts or Unfair Sales Acts or the regulations issued thereunder by the public authorities responsible for their administration and enforcement prescribe different standards or restrictions than those prescribed by the decree, we will observe them.

Safeway Area Prices Vary 92% On Spuds, 90% on Bananas

In Los Angeles a weekend ago, Idaho Russet potatoes were on sale in Safeway supermarkets at 39 cents for a 10-pound bag. At the same time, these potatoes cost 75 cents, or 92 per cent more, in Oklahoma City supermarkets of the same chain.

Similarly, Safeway was featuring bananas at 10 cents a pound in Kansas City and El Paso, Tex., while it charged 90 per cent more, 19 cents a pound, in Seattle, Salt Lake City, Little Rock and Portland, Ore.

These differentials were among those found in a spot check of key items in various departments of Safeway supermarkets from Coast to Coast. SUPERMARKET NEWS reporters conducted the roundup in 17 of Safeway's 20 division headquarters cities, Feb. 20 to 22.

The wide ranges reflect local autonomy is basically the same as is used by all other large chains whose local divisions and units must meet local conditions and the prices of direct competitors in their respective areas.

A similar roundup made a year ago by SUPERMARKET NEWS in an analysis of A&P pricing found comparable ranges from one division of the chain to another.

In the Safeway roundup, as had been the case with A&P, the widest ranges were found in the perishables departments, whose items are usually cut most deeply in special promotions.

Selected meat items showed somewhat narrower differentials than the bananas and potatoes.

Rib roast, 7-inch cut, for example, was as low as 69 cents in San Diego supermarkets of the Safeway chain and as high as 98 cents in San Francisco, and 99 cents in Phoenix.

The 17-city roundup showed that the divisions varied in pricing just as much on Safeway's own products as on manufacturers' brand items.

A 46-ounce can of Safeway's controlled label Laclani pineapple juice was priced at 25 cents in Seattle and ranged up to 36 per cent higher, at 34 cents in Wichita.

Safeway's own Airway coffee, in 1-pound bags, sold as low as 69 cents in San Francisco and as high as 83 cents in El Paso, a 20 per cent higher price.

The range on Maxwell House coffee in 1-pound cans was from a low of 89 cents in three divisions to a high of 99 cents in two Eastern Seaboard divisions.

Heinz ketchup, 23 cents in three division headquarters cities, ranged up to 27 cents in four others.

The following table shows the end-of-the-week prices at which specified items were sold by Safeway in headquarters cities of 17 of the chain's 20 divisions.

Prices were checked by SUPERMARKET NEWS' correspondents in Safeway supermarkets in each city. The prices were those effective in the respective cities for Feb. 20 to 22.

Where there is any local variation from the description of an item at the top of the table, this is in parenthesis with the local price. Asterisks are used to indicate that an item was not carried or was out-of-stock in the supermarket that was checked.

	Skylark White Bread 1-Lb. Loaf	Bananas Lb.	Idaho Russet Potatoes 10-Lb. Bag	California Navel Oranges Lb.	Bel-Air Frozen Green Peas 10-Oz. Pkg.	Heinz Ketchup 14-Oz. Bottle	Airway Coffee 1-Lb. Bag	Maxwell House Coffee 1-Lb. Can
PACIFIC COAST								
Seattle	*	.19	.47	.17	2/.35	.23	.75	.95
Portland	.31 (1½ lb.)	.19	.39	.17	2/.35	.25	.79	.95
San Francisco	.23	2/.35	.69	2/.29	2/.39	.24	.69	.97
Los Angeles	.31 (1 lb. 6½ ozs.)	.17	.39	.15	7/$1	.24	.75	.93
San Diego	.20	.15	.66	.15	2/.37	.24	.75	.95
ROCKY MOUNTAINS								
Salt Lake City	.31 (1½ lb.)	.19	.59	.15	5/$1	.27	.83	.98
Denver	.19	2/.25	.59	.18	.19	.26	.81	.92

CENTRAL	Skylark White Bread 1-Lb. Loft	Bananas Lb.	Idaho Russet Potatoes 10-Lb. Bag	California Navel Oranges Lb.	Bel-Air Frozen Green Peas 10-Oz. Pkg.	Heinz Ketchup 14-Oz. Bottle	Airway Coffee 1-Lb. Bag	Maxwell House Coffee 1-Lb. Can
Omaha	.26	2/.35	.65	.77 (5-lb. bag)	2/.35	.27	.73	.79 (Hill's)
Kansas City	.21	.10	.39 (5-lb. bag)	.59 (5-lb. bag)	3/.49	2/.49	.75	.95
Oklahoma City	.19	4/.59	.75	.17	6/$1	.27	.75	.89
Wichita	.15	2/.25	.69	.21	.19	.27	.71	.89
Little Rock	.18	.19	.69	.21	6/$1	.25	.79	.92
SOUTHWEST								
Phoenix	.24	2/.25	.59	2/.35	2/.37	.25	*	.89
El Paso	.30 (1½-lb.)	.10	.65	*	.19	.25	.83	.92
Dallas	.19	.13	.40 (5-lb. bag)	.19	.17	.23	.75	.90
EAST COAST								
New York	.19	2/.29	.45 (5-lb. bag)	2/.39	2/.39	.25	.75	.99
Washington	.20	.10	.39 (5-lb. bag)	.19	6/$1	.23	.75	.99

PACIFIC COAST	Edwards Coffee 1-Lb. Can	Town House Green Peas No. 303 Can	Del Monte Green Peas No. 303 Can	LaLani Pineapple Juice 46-Oz. Can	Dole Pineapple Juice 46-Oz. Can	Sirloin Steak Lb.	Rib Roast 7-In. Cut Lb.	Smoked Ham, Center Slices Lb.
Seattle	.83	2/.35	2/.39	.25	.27	.98	.83	.98
Portland	.87	2/.35	.21	.27	.29	$1.35	.79	.89
San Francisco	.79	2/.37	.20	.27	.29	$1.09	.98	$1.49
Los Angeles	.87	.15 (Highway)	.19 (Libby)	.27	.28	$1.59 (top)	.89	$1.39
San Diego	.89	2/.23	2/.27	.26	.33	$1.59 (top)	.69	.98
ROCKY MOUNTAINS								
Salt Lake City	.96	5/$1	.21	3/$1	*	$1.50 (top)	*	$1.40
Denver	.90	.16	.19	.30	.33 (Libby)	$1.03	.83	$1.29
CENTRAL								
Omaha	.79	2/.33	2/.45	3/$1	.35 (Libby)	.93	.89	$1.15
Kansas City	.89	3/.49	2/.37	.29	.33	.98	.79	.99
Oklahoma City	.87	2/.35	.21	.33	*	$1.09	.87	$1.09
Wichita	.87	*	*	.34	*	$1.09	.79	$1.09
Little Rock	.89	2/.33	.21	.31	.35	$1.09	.89	$1.09
SOUTHWEST								
Phoenix	.87	.21	.22	.31	.32	.99	.99	$1.39
El Paso	.89	.19	.21	.31	.33	.89	*	$1.29
Dallas	.88	6/$1	5/$1	.31	.31	$1.09	.89	$1.15
EAST COAST								
New York	.89	2/.35	2/.39	.29	.31	$1.19	.89	$1.05
Washington	.97	2/.35	2/.37	2/.51	2/.55	$1.15	.89	$1.25

Invasion Into New States Canceled In Favor of Work in Own 'Backyard'

In the winter of 1954-1955, bold expansion plans were taking shape at Safeway stores. On a company operations map, Lingan A. Warren, president, was charting an invasion of new territories:

• For the first time, the 2,000-unit chain was ready to hurdle the Mississippi River into the crowded South and Midwest. Western Tennessee and Mississipi were marked. Louisiana, Minnesota and North Dakota, all virgin States, and the western sections of Iowa and Missouri, were encircled. Options were taken in Houston.

• Properties were purchased in Toronto, Ont., which was slated to become Safeway's first Eastern Canada division.

• Determined to close the gap between Safeway's New York and Washington, D. C., divisions, Mr. Warren pointed to the eastern third of Pennsylvania and western Maryland and Virginia.

The invasion, which would have made these areas competitive cauldrons, never took place. It was canceled by Robert A. Magowan immediately after he joined Safeway in the second half of 1955.

The new board chairman reasoned this way: Safeway was operating in 24 States and five Canadian Provinces. There was plenty of expansive work to do in Safeway's own backyard.

The land in Toronto was sold — at a profit—and the options were canceled in Houston. Property had not yet been acquired in the other areas.

Different Expansion Goals by Magowan

Mr. Magowan was as expansion-minded as his predecessor but his goals were different. Together with Milton Selby, then president, and G. T. Burroughs, vice-president in charge of real estate, engineering and construction, the new chairman set a goal of at least 150 new units a year.

With the exception of one store in Connecticut, no new States were entered. All new stores since then have been in established territories or those immediately adjacent to these areas.

An insight into new management thinking was afforded not long afterward by Mr. Selby in a talk to the New York Society of Security Analysts. He made it clear that Safeway's new-store program was not an expansion program "as such," but a program for replacement and modernization of facilities.

"Safeway operates 2,000 stores in the United States and Canada. If 100 new stores are built each year, it will take 20 years just to replace those existing stores. A 5 per cent obsolescence factor is certainly conservative. Population growth will require us to add at least another 25 stores per year simply to maintain our competitive position. When consideration is given to population shifts and the addition of new stores in the territory adjacent to our present operations, the program of 150 new stores per year seems low," Mr. Selby said.

With the establishment of the new regime, the trade expected Safeway to adopt new expansion procedures. Mr. Magowan had spent most of his business life on Wall Street where major chain mergers are conceived, nurtured and spanked into life. Soothsayers along cannery row saw Safeway giving up its construction philosophy and succumbing to the urge to merge.

Mr. Magowan proved them wrong. He has been as much a champion of the expand-by-construction philosophy as Mr. Warren.

Construction Program Made More Flexible

Typical of the new regime, however, the construction program was made considerably more flexible by:

1. Welcoming shopping centers as possible sites.

2. Allowing more owner-built contracts.

3. Making Safeway more "approachable" for supermarket chains wishing to merge. Few of these approaches for merger have been fruitful, however. The eight-store McCartt group in Amarillo and the three payless markets in Kansas City are not defined as supermarket "chains' by Safeway. Merger of these firms in 1957 was not considered a result of any policy change, Safeway insists. In both instances, Safeway did not provide the initiative but was approached.

The chain's current attitude toward merger might be summed up as: We will listen but we will not pursue.

This open-door policy hardly precludes any mergers in the future but the offered chain will have to be at a price no businessman could afford to reject. Only the most favorable terms will woo Safeway from its anti-merger thinking.

Mr. Magowan's strong belief in decentralization has been reflected in radical changes in the company's real estate committee. Once versed with complete control, the committee passed on all decisions. Much of this power of decision was handed over to the divisions. The real estate committee's control today is largely financial with "precautionary" control over location decisions. This committee now includes Mr. Burroughs, Hugh Frost, vice-president in charge of advertising, personnel and research, and E. J. Penprase, manager of the Real Estate division.

Modernization, Expansion Budget Fattened Greatly

Safeway's modernization and expansion budget has been fattened considerably by Mr. Magowan. In the six years prior to his affiliation with Safeway, the company averaged $66 million per year for new facilities and equipment. The chain spent $75 million last year and will put approximately $90 million into the program in 1958.

A rough breakdown reveals that construction budgets in the past few years have broken down into one-third for land, one-third for building and leasehold improvements and the remaining one-third for fixtures and equipment. Of the total construction budget, 15 to 20 per cent averages out for warehouses and other plant facilities.

What will Safeway do with this $90 million in 1958? The chain hopes to open a minimum of 150 to 175 stores. At least 20 will be in Canada. Last year, 186 stores were opened; 134 were closed.

About two-thirds of the total new stores will replace older units if Safeway continues its average. One-third of the new stores will serve new customers but will be in areas adjacent to present trading territories. Few will be in areas new to the company.

In the Los Angeles division, for example, Safeway has room for at least 12 new stores yearly to take care of the area's expanding population. These would not be replacements, but would be in new areas within the established Los Angeles territory.

Roughly 25 per cent of stores opened this year will be owner-built. This type of unit had been virtually ignored in the past. Safeway reasons that they are no less expensive and open up a greater reservoir of new stores and sites to choose from. A disadvantage listed by Safeway is that owner-builts take control of the time element out of Safeway's hands.

Shopping center locations were also discouraged by Mr. Warren. Mr. Magowan welcomes them. Last year, 10 markets were opened in shopping centers. approximately 28 will open in centers in 1958.

Rest to Open Under Buy-Build-Sell-Lease

The balance will open under Safeway's buy-build-sell-lease program, initiated by Mr. Warren many years before the practice was adopted widely by the food industry.

The company is shooting for 20-year leases wherever possible. Under Mr. Warren, leases often ran 30 years.

While Safeway is spending more dollars this year, it is also getting more footage for each dollar; more volume for each foot. In 1955, the average new Safeway measured 17,500 square feet. Last year, the average was 15,000 square feet.

Mr. Burroughs explains that the company is getting 15 to 20 per cent more sales from each location, larger display area and a more usable stocking section.

"Safeway's building costs are also declining. In 1955 our costs averaged $11.74 per square foot. In 1956 and early 1957 it was $10.60. In the past several months, it has been running at the rate of $10.25 per square foot. This cost envelops everything pertaining to the shell, including floor coverings, lights, air-conditioning, sprinklers, interior partitions, and so forth. Within this cost, the stores are all ready to go except for installation of fixtures," Mr. Burroughs said.

The company indicates that it does better than the $2.93 per square foot sales average indicated in a recent trade survey. This would put the new 15,000-square-foot Safeway store well into the $2 million volume class.

5-Prototype System Cited for Cut in Costs

In a time of rising construction costs, how has Safeway been able to cut its construction dollar needs per square foot?

A great deal of credit goes to the company's five-prototype system, which gives the retail division a choice of one of 10 standard designs to choose for each store. (See next Chapter).

Here is how Safeway's present real estate machinery works:

Each retail division settles on a theoretical five-year plan for modernization and expansion. Locations are tentatively chosen according to population and traffic considerations as well as distance from other Safeway units and replacement sites and competition Details of costs, volume and profit potentials and other data are then submitted to the real estate committee a headquarters for approval.

The land is then purchased or a lease is entered into and construction plans are submitted to the committee. The plans are returned to the division through the central store design department. This department makes comments and suggestions for division consideration. The division then employs an architect and awards the contract by bid to a builder. Actual construction time averages 168 elapsed days, according to Mr. Burroughs.

The finished product will be one of Safeway's five prototype designs.

Safeway's construction program has not ignored the need for new distribution centers. The company has centers in all zones but some are termed as obsolete. Its newer centers are in Washington, D. C., Little Rock, Dallas, Oklahoma City, Kansas City, Denver and Butte zones. New locations, partially operating, are in San Francisco, Vancouver, Edmonton, and Calgary zones.

The company is constructing or planning new distribution centers in Portland, Seattle, Omaha and Winnipeg.

Leases Run Varying Total Of Years, Up to 50

The length of leases. while following general patterns, differ from division to division as do other operational arrangements.

In Portland, Ore., leases are said to include five, 10, 15. and even up to 40 years, including the options. In San Francisco, most average between 20 and 25 years, with a preference for 20-year leases. The majority there are net rentals. with no percentage leases except for some shopping center locations

In Los Angeles, average leases for Safeway stores are said to be running longer than 15 years, but with cancellation clauses after that period. Most leases in Salt Lake City's division are for 10 to 20 years with option agreements covering 20 years. Most are straight rental leases, with no sales percentages, some with tax escalator clauses. In Denver, 25 years with option is the average.

In Little Rock, the length of leases is being shortened from the total of 40 that formerly prevailed. In Washington, D. C., leases average 20 years with six five-year renewal options.

San Diego leases run up to 50 years, with the 20-year basic lease supplemented by six five-year options.

As for parking area, 3 to 5 square feet of parking per square foot of store space is the rule in Washington and never less than room for 100 cars in the Salt Lake City area. A minimum of 3-to-1 for parking area to store area is followed in Los Angeles, while Safeway in San Francisco tries for enough parking area to cover a minimum of three stalls per $1,000 in sales volume.

Net Leases in Omaha Run 90% of Total

Details on the Omaha division are as follows:

Of the leases made in the division in 1957, 90 per cent were "net" leases and 10 per cent were "gross" leases. Safeway defines net lease as one with a net return to the owner with the tenant paying taxes, insurance and maintenance.

Gross lease is defined as one with owner retaining title with Safeway making improvements but with owner paying taxes, insurance and maintenance.

Net leases average 20 to 25 years with additional options. Gross leases are for 20 years with additional options.

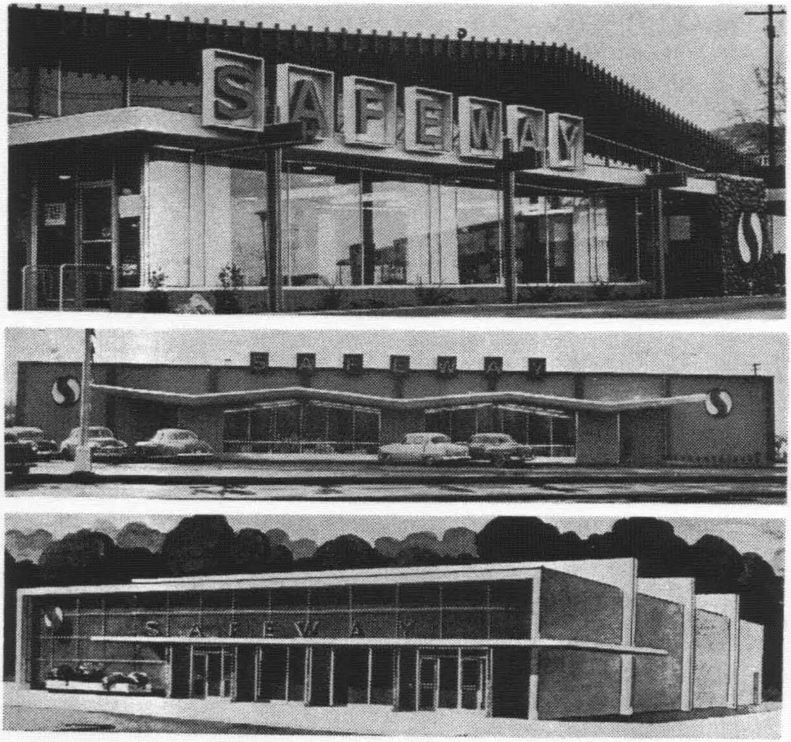
Percentage leases for percentage of sales at location are being entered into only in shopping centers. The average per cent of sales is 1 per cent.

The average cost for buildings built in Omaha Division in 1957 was $7.85 per square foot, including a market of a new design with the square foot cost low enough to pull the average down to $7.85 per square foot, including air conditioning.

The average parking lot square feet ratio to square feet of the store building is 4 to 1, with parking for 250 to 500 cars.

Safeway Omaha is seeking "free standing sites"—not part of shopping centers—of from 45,000 to 75,000 square feet. Sites are being sought in situations as close as possible to areas of greatest population. Site inquiries, however, include all good shopping centers.

Sixteen leases were made in 1957 on the sale lease-back arrangement, including four leases where the lessee did extensive remodeling and sold to the owner, taking back a standard net lease.



AMONG THE NEW SAFEWAY SUPERMARKETS: The top photograph shows an 18,000-square-foot market in Laguna Beach, Cal., which marks a radical departure in appearance from most of the chain's units in that area. The lower photograph is of Safeway's newest store in the Reno-Sparks, Nev., area, a 14,500 square-footer. The artist's sketch shows a Safeway in Tulsa, Okla., that has begun 24-hour-a-day operation.

Basic Data Chart on Safeway Markets

The following chart lists basic data on the number of Safeway markets and the chain's expansion program in each of its divisions. The information, obtained principally at the division level, shows that the most marked increases in new units over last year are expected in the New York and Dallas areas. A sharp rise in number of units planned for shopping centers is also indicated.

Division	Total Units Jan. 1, 1958	Opened in 1957	Planned for 1958	1957—Opened Units in Shop. Centers	1958 Units Planned for Shop. Centers	Major Re-model-ing in 1957	Major Re-model-ing for 1958
PACIFIC COAST							
Seattle	105	11	10	0	0	7	15
Portland	95	8	9-10	0	1-2	*	*
San Francisco	207	17	15	1	3	22	16
Los Angeles	217	19	17	2	6-7	12	0
San Diego	36	0	5	0	1	0	0
Spokane	44	5	*	*	*	*	*
ROCKY MOUNTAINS							
Butte	45	5	*	*	*	*	*
Salt Lake City	67	6	2-3	1	1-2	1	2
Denver	130	9	13	0	6	5	6
CENTRAL							
Omaha	88	10	10	0	0	19	0
Kansas City	84	13	12	3	2	45	5
Oklahoma City	57	11(a)	7	0	4	1	*
Wichita	45	7	6	0	1-2	*	6
Little Rock	34	5	5	0	0	6	6
Tulsa	40	3	1	0	0	0	1
SOUTHWEST							
Phoenix	43	3	3	0	3	6	4-5
El Paso	43	2	*	*	*	*	*
Dallas	117	12	21	2	15	2	1
EAST COAST							
New York	181	3	25	0	6-7	32	10-15
Washington	185	19	19	1	*	8	10(b)

* Information unavailable.
(a) Includes 8 McCartt Stores bought at Amarillo.
(b) Now being remodeled.

11. Store Engineering

New Units Smaller by 15%, But Display 40% More Items

Today's average new Safeway is nearly 15 per cent smaller than units constructed two years ago. It averages 15,090 square feet.

Yet this unit will carry 40 per cent more items in 1958. It will do a minimum of 15 to 20 per cent more volume and produce a better net profit. It is less expensive per square foot and faster to construct. Here is what it offers the consumer:

1. More shelf space and selection.
2. More colorful interior.
3. More parking.
4. A faster checkout system.
5. More natural and artificial light by which to shop.

Some of these changes would have come about whether management had been changed or not. Lingan A. Warren, Safeway's president until mid-1955, was a leader in many ways in store engineering. His design departments would not have stood still.

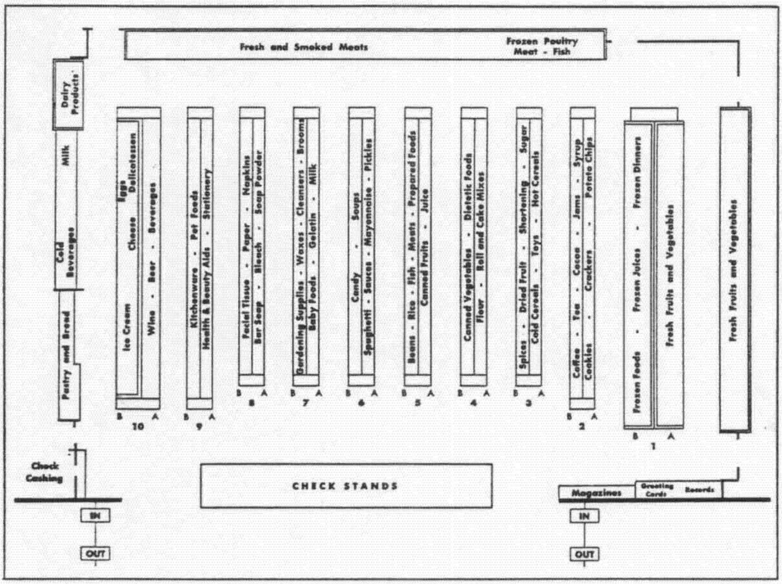
Many of the changes may be attributed to a faster moving, more elastic store engineering philosophy since Robert A. Magowan became chairman of the board and president.

Why is this store less expensive and more profitable? What does it look like? With more than 2,000 stores in two countries, it has been difficult for the trade to draw a composite of the average new Safeway.

Here is a rough composite put together for SUPERMARKET NEWS by George T. Burroughs, vice-president in charge of real estate, engineering and construction:

The newer Safeway has a slightly pitched roof—hip roof—with exposed beam ceilings. Beams are of laminated wood. In areas where steel costs are lower, steel beams are used.

The front boasts large windows; the interior is colorful and air conditioned. The store usually sets back on the lot, allowing



Safewey markets are classified by numbers I to 5, with No. 5 being the largest, and are designated L when the entrance is on the long side and S when the entry is placed on the short end. Since end displays change constantly they are left unmarked in the following layout sketches.

parking on both sides as well as the front.

The majority of units are L-type stores, so designated because checkstands are on the long side of the unit. Of total space, 65 per cent is allotted to sales room. A larger percentage of floor area is devoted to stock in rural areas.

The grocery area includes 160 lineal feet of shelving per 1,000 square feet of total store area. The general sales area includes 265 lineal feet of shelf space per 1,000 square feet of sales area.

The average fixture cost for stores built in 1957 was $6.37 per square foot before installation; $7.99 per square foot installed. Mr. Burroughs said he is "unhappy" with installations costs and is taking steps to reduce square foot fixture costs from present $1.62 levels.

Chances are today's store will have mechanical checkstands. These cost Safeway an average of $648.50 installed. Non-mechanical stands, used in a minority of cases, cost $200 to $225 installed, including rails, bumpers, shelves and other accessories.

The newer store will carry about 7,000 items in 1958 compared with 6,500 items last year and 5,000 items in 1955.

Safeway has found that the most practical lighting for the selling area consists of continuous rows of 8-foot, two-lamp, slimline bare lamp luminaires on 8- to 10-foot centers. The cost, including lamps, installation and wiring is about 50 cents per square foot. Illumination produces 50- to 60-foot candles.

"For stock rooms we obtain 12- to 15-foot candles by use of individually mounted industrial-type luminaires, having two 4-foot lamps, on 11x11-foot centers. Cost of this lighting is about 20 cents per square foot," Mr. Burroughs said.

Design Is for Simpler Delivery and Stocking

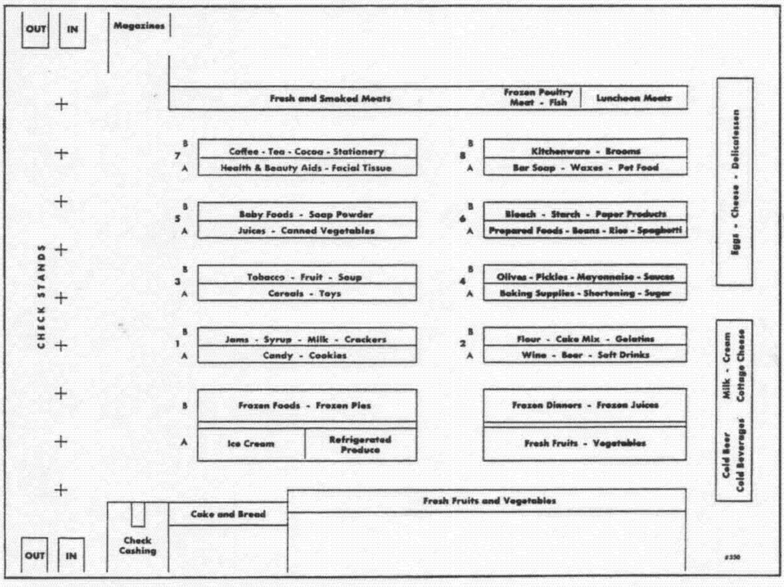
The new Safeway store is designed for simpler delivery, easier stocking. Older units often had several stock rooms—occasionally as many as seven or eight. Mr. Warren believed every department should have its own stock room. If all stock was kept in a common area, department stocks were separated by partitions. In some stores, the grocery back room might be located on one side of the store, dairy on the other.

The Real Estate division eliminated this practice. Today's unit will usually have two back room areas: An air-conditioned space for produce; a second area for all other stock. Meat, of course, rolls directly into a cooler from the unloading area.

Back rooms are being designed for pallet receiving and salesrooms laid out to allow direct pallet stocking of shelves.

Most newer units are being located in the suburbs. This is another pattern initiated by Mr. Warren.

In some respects, he was far ahead of the game. In the New York area, for example, Safeway



The 3L type, 13,500 square feet. Back rooms, not shown, occupy about 25 per cent of total.

had suburban locations ahead of most chains, suffered for a while for lack of volume until suburbia grew stronger around them. These stores are now ideally located within heavily populated areas.

Odds are two to one the new Safeway store will replace an older unit or supplement Safeway stores in existing territories.

Today's Safeway will "blend" into the community wherever possible. This also was a pattern originated under Mr. Warren's administration. Mr. Warren strove to avoid an "invading giant chain" appearance by making the store a part of the physical community; its personnel a part of the social and civic community.

Dock-and-Shop Typifies Community Identification

As a result, a Washington, D. C., unit is designed in Georgian Colonial. In Santa Barbara, a Spanish motif with white stucco walls and tile roof allows Safeway to blend into the atmosphere of the city. In Fort Worth, styling is modified Spanish.

These were constructed by Mr. Warren and the idea continues today. Messrs. Warren and Magowan apparently agree that community identity comes first. Store identity is maintained through large signs and judicious use of Safeway's S symbol.

Safeway's adaptability to a community is further typified in Safeway's Kenora, Ont., Canada, unit on the city's "Lake of the Woods." A 432-foot mooring dock, with accommodations for 34 boats, stretches alongside the store. Dock-and-shop facilities gave boaters their first direct access to shopping facilities.

This store takes 168 days to build and costs $10.25 per square foot to build, including everything but installation of fixtures. It is more efficient and less expensive. It also gives the customer more items, better atmosphere and faster checkout service than Safeway predecessors.

This is the store on which Safeway is basing its hopes today. How did it come about?

Some of these changes were in the works when Mr. Warren was still president. Mr. Warren's "windowless store," which caused heated controversy in retail and architectural circles, was already being modified when he resigned late in 1955.

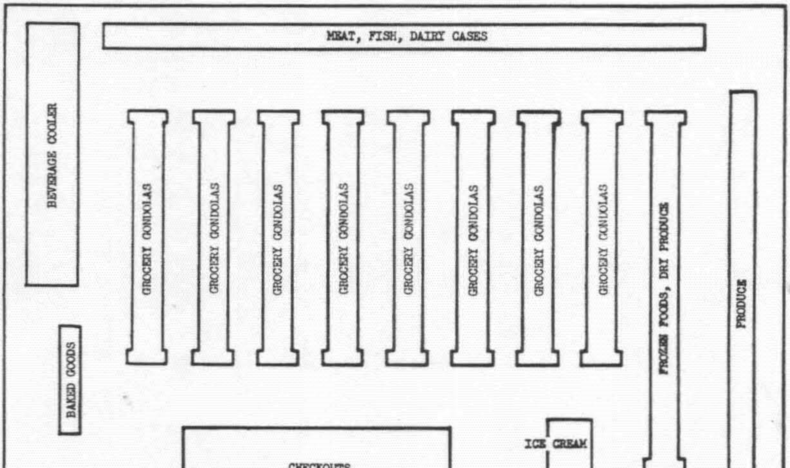
The windowless design was superior in many respects. It offered fewer construction problems, superior heating and ventilation control. It allowed more space for wall shelving, kept sunlight away from labels, goods and customer eyes. Its faults, as summed up by a Safeway engineer, were:

It made the store look like an armory.

Customers did not like to shop in them.

Five Prototype System, Major Construction Aid

The second reason, of course, was sufficient for dropping the plan. Small windows were reap-



The 4S type, over 15,000 square feet.

A variant of the 3L arrangement with minor sectional relocations to adapt to individual store.

pearing in newer Safeways when Mr. Warren resigned. The new management put the full window back in place.

The single factor playing the heaviest part in enabling Safeway to cut its building costs and speed construction time was the "five prototype" system. This was begun shortly after the change in management.

Safeway now works from five store sizes: 8,500, 10,500, 14,500, 18,500 and 23,500 square feet.

While variations up to 900 square feet may occur within the five categories, zones generally adhere to this system. Each zone, in turn, designs five in-store layouts. Reversal of these layouts gives the zone 10 self-designed fixture layouts from which to work.

Once the size and layout is determined by the zone, it is strictly kept. Every effort has been made to eliminate "change-order," one of the most expensive factors in a construction program. Change-orders, revising store plans after construction has begun, cost Safeway an average of $33,000 per unit in 1954; $11,000 per unit in 1955. Today, they are virtually nil, Mr. Burrough said.

At the 1954 rate of change-order cost, Safeway's construction bill would have increased by $6,138,000 last year for its 186 new stores. In a decade, Safeway would have spent nearly as much money on change-orders as it used to spend in an entire year for new stores, had not the new administration eliminated them.

Ending the change-order was only one benefit derived from the five-prototype system. Construction time was cut from 24 months to less than a year, covering planning, building and opening. This enabled the company to cut its land inventory considerably.

Replacement Time Cut to Less Than Half

It has allowed Safeway to get a quicker yield out of its replacement program. Once a store is found to be obsolete, it takes less than half the time to replace it with a new and more profitable store.

The drive for lower costs, faster construction and newer techniques reflects through the builder level. An insight into a firm which constructs a major portion of Safeway stores in the 207-unit San Francisco division shows continual efforts to cut costs.

Macdonald, Young & Nelson used the tilt-up method of constructing Safeway store shells long before the average food chain had adopted it. Graeme Macdonald, president, said the tilt-up method has cut construction time 20 per cent.

Mr. Macdonald's company put up the average supermarket in four and a half to six months. If a unit calls for a full basement or mezzanine, Mr. Macdonald cuts shoring costs 40 per cent by using telescopic steel beams stretched out under the concrete layer to support it. These span-all beams eliminate conventional shoring and allow plumbers, electricians and other technicians to work uninhibited below the newly poured floor.

Safeway continues to work toward lower construction costs. The company is now in the process of taking the best current ideas from one division and applying them to another.

Newer Safeway Units Bright and Picturesque

The newer Safeway Stores have blossomed out in a panorama of color that has made older units look drab in comparison.

The dull buff and apple green in use for most Safeway interiors gave way a few years ago to blues, greens, yellows and red. This color revolution was begun late in 1951 by Lingan A. Warren, then president. Mr. Warren put together a task force of top executives. He asked them to find techniques that would make Safeway interiors more accommodating; make exteriors draw customers toward them.

The task force went to work, bringing into its fold Cornelius Sampson, San Francisco designer, who was working on the new Safeway "S" trademark at the time.

Their color recommendations turned out to be one of the more revolutionary aspects of Safeway store design.

On the basis of work done by this task force and Mr. Sampson, Safeway offered a variety of new colors for use in its stores. The zones determine what colors will be used but these colors are chosen from a palette set up by headquarters.

For exteriors, zones may choose from six basic colors and three tones of each color. This gives the zone 18 exterior color variations. All harmonize with brick tones and natural stone hues as well as Safeway's sign colors. The 18-color palette also offers colors compatible with the heat of the Dallas zone; the cold of the Ontario area. These basic colors are yellow, orange, red-blue, blue-green and green.

The interior colors are undergoing their greatest change since Safeway's departure from dull buff and apple gray of the 1940s.

Roughly, most newer Safeways will have interiors from one of these three patterns:

1. The standard model: This interior basically carries four interior wall colors; a powder blue wall behind bakery goods and frozen foods; blue-green behind meats; sunny yellow for dairy products; coral red for produce. Each color "shows off" the color of the merchandise. This is a primary requisite for any color used at Safeway. The interior must "point" to the merchandise, not detract from it. The blue-green background makes red meat redder disallows disturbing color rays to muddle the trueness of the meat color or its package.

The colors also take advantage of color association, Mr. Sampson points out. Light blue suggests frost or coolness — perfect for frozen foods. Most new Safeway stores have carried this color thinking for the past few years. Both of the following interiors also work into this color theme.

2. The San Mateo model: Comparatively new, this was fully developed for the first time in Safeway's new unit in San Mateo, Cal., in April of 1957. It had been piloted first in San Francisco and south San Francisco units. It takes much of its color scheme from the standard model described above. It introduced an entirely new color concept around the checkstands, however. Previously an area of neutral colors, the new unit made it a multicolored part of the store. Seven large primary color panels occupy the front interior wall. Customers awaiting checkout face this wall. Ever since the Chaldean tax collector, businesses have been trying to find a way to make people part with their coin in a cheerful manner. Safeway has not found the formula — but by use of bright colors it hopes to make this depressing task a little more cheerful.

The customer, waiting at the checkstand, is surrounded by color variety. Even the checkstands are different colors chosen for their cheerfulness, Purple, for example, is verboten. Mr. Sampson believes it is a depressant.

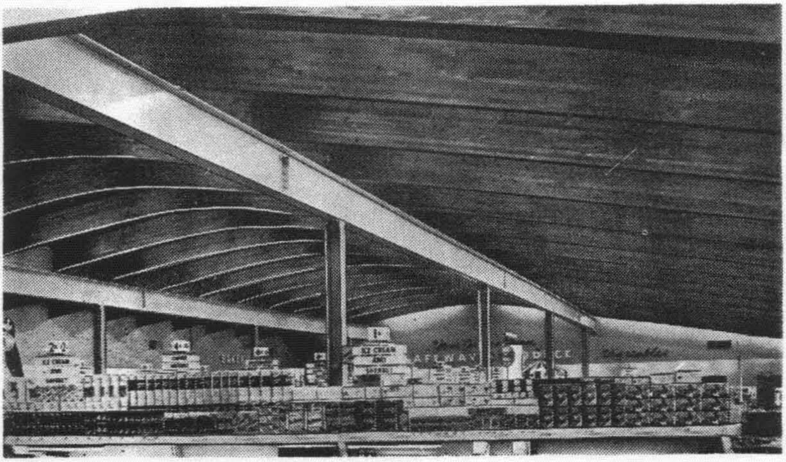
Ceiling beams are deep coral contrasting against the roof color.

3. The Noriega scheme: Safeway's newest color development is carried out in its new San Francisco unit at 30th and Noriega. It is to be offered to all zones.

Deeper richer colors are used here. In place of sunny yellow, for example, straw yellow is used. Blue-green gives way to a more sophisticated pine frost. Powder blues are replaced by a deeper and richer tile blue. There is less use of paneling here than in the San Mateo unit.

"This is the most sophisticated interior we have developed," Mr. Sampson said," and I think there will be a growing need for it. The taste of the general public is more sophisticated than it was 10 years ago. The generation raised in the great depression is less critical; the newest generation more selective. Younger shoppers can buy what it likes where it likes — not just what it can afford. They will shop in the most pleasant atmosphere they can find," Mr. Sampson said.

By adhering to a basic range of colors, the Safeway identity is maintained in any part of the country even though the exterior may be Colonial, modern or Spanish to fit in with the community. The colors, Safeway hopes, will make a Texas shopper feel at home in Butte, the New York housewife at home in California.



A CEILING OF EXPOSED GLUED LAMINATED BEAMS give Western ranch style feel to the new Safeway stores in the Denver division. Exposed steel structures are painted to blend with the walls. Pitched roof form the arched effect, as seen in this new Safeway store opened in Broomfield Heights, Colo., in January.

12. Canada Safeway

Decontrol Is Profitable in Canada, 10% Gain Exceeds Rate in U. S.

The red "S" has a new look in Canada:

With more freedom from central control of its parent company, Canada Safeway, Ltd., divisional managers are out to produce even better results.

Total sales and profits have been on the increase. There's more store building activity and there's a renewed optimism toward springing into new areas. And through it all runs a stronger theme to keep the Canadian operation as Canadian as possible.

Walter J. Kraft, president, Canada Safeway, puts it this way:

"Our Canadian company is governed by the same same general polices and practices as in the United States—but we try in every sense of the word to be a Canadian company.

"Canada Safeway is managed and run by Canadian people."

To carry out this vigor for a Canadian theme, Mr. Kraft said preference is always given to Canadian products: "We favor supporting local and Canadian producers and packers. Unless there is a big difference in price favoring United States products, we always lean to the Canadian market."

Safeway operations in Canada have thrived on increased competition. They still outdistance their main competitors by a good stride in total sales, the company claims.

Canada Safeway's annual report for 1957 has not yet been published. However, operations of the three divisions covering the four Western provinces where Safeway operates its retail, wholesale and subsidiary supply firms, apparently enjoyed a good year.

An ad on its financial operations that the parent company ran earlier this month in a publication in Reno, Nev., to satisfy a legal requirement of the State listed figures for the American operation separately, thus making the determination of Canadian figures a simple step of subtraction from the over-all company totals.

This arithmetic indicates Canada Safeway sales were $208,102,000 for last year, a 10 per cent increase over 1956. The gain is proportionately higher than that registered by Safeway in the United States, since the total chain increase was 6 per cent last year.

Profit in Canada, as indicated on the same basis, ran around $5,486,900 as compared with $4,865,598 for 1956.

The yearly report for 1956 showed Canadian total sales of $188,760,111, with $154,585,383 in retail and $34,174,728 in wholesale.

The Canadian company's consolidated net profit after all income taxes in 1956 was a new high in its 28-year history. The profit picture was 29.7 per cent higher than in 1955.

Canada Safeway is set up as a separate company from its United States parent. Stores are operated in northern Ontario, Manitoba, Saskatchewan, Alberta, and British Columbia and the three divisions handle retail operations of 170 stores. Headquarters are in Vancouver, B. C.

Although dwarfed in size by the American Safeway operations, the Canadian stores have been showing the way in sales. The average weekly sales of individual Canadian stores reached its highest point in 1956—$19,282. In 1956, that was just about equal to average sales in United States stores.

Division Manager Holds Responsibility for Profits

How does Safeway operate in Canada? It's a simple formula: It's up to the division manager to produce good sales and earnings. That's how he holds his job.

Within the general policies laid down by the parent company and passed to Canada Safeway through the interlocking chairmanship of Robert A. Magowan—chairman of the board of both Canada Safeway and Safeway Stores, Inc.—division managers set out to win customers and make money.

The three divisions managers in Canada are responsible directly to Mr. Magowan at Safeway's Oakland headquarters.

The Canadian board of directors meets at least once a year, usually in Winnipeg, Man. The policies set out by the parent company with modifications to suit Canadian operations are carried through.

The Canadian board cannot overrule the general policies laid down by Safeway Stores. Inc.

All directors of Canada Safeway are Canadians, other than chairman Magowan.

Under the new Magowan regime, Mr. Kraft said "there's more freedom than there was before."

It is difficult to pinpoint a set of rules to determine what the new freedom means. It is interpreted broadly — Canadian division managers are more on their own and are under less stringent company directives to carry out operations in their territories.

Subsidiary operations of Safeway in Canada are mainly responsible to United States counterparts.

A decade ago, Safeway had a relatively free fling in the food market in Western Canada. There was no large chain to challenge for the consumers' food dollar.

In recent years that has changed, especially in British Columbia.

In British Columbia, Safeway's biggest competition had come from the food floors of department stores, mainly concentrated in the metropolitan area of Vancouver, the most populated part of this rugged and mountainous province.

Six years ago, competition started to mount. The department stores —chiefly Woodward Stores, Ltd., which gives large space to food retailing—branched into other areas outside metropolitan Vancouver. And several wholesalers who were in the retail field, reorganized their retail operations.

One in particular was to challenge Safeway's chain. It was food wholesaler Kelly Douglas & Co., Ltd. Kelly Douglas launched a chain of stores in 1952 under the name of Super-Valu.

Super-Valu started with 16 stores and today outnumbers the total retail outlets of Safeway in British Columbia. The Super-Valu chain is a combination of corporation-owned stores and independents operating under the S-V banner.

It's difficult to get comparative figures, but Safeway's Canadian president, who also is British Columbia division manager, has no doubts on the sales picture.

"They have a combined total of more stores, but Safeway does substantially more volume per unit," he said.

On the total British Columbia

picture, Mr. Kraft ventured that "we lead the food business in each area and do substantially more total business than any competitor."

Principal competitors are Super-Valu, Woodward Stores, Ltd., Shop Easy Stores and Overwaitea, Ltd.

Canada Safeway wholesaler Macdonalds Consolidated, Ltd., the firm's wholly - owned subsidiary, operates in all divisions and comes under the division managers.

In the Vancouver area it supplies only Safeway outlets but in other sections of British Columbia and in Alberta and Saskatchewan, Macdonalds is in the competitive field selling to independent stores.

Interior British Columbia, the Kootenay and Okanagan areas 300 miles inland from Vancouver, are serviced from Macdonald's Vancouver warehouse. A fleet of 40 trucks keeps the widely scattered Safeway chain supplied.

The trucks don't make an unprofitable one-way haul. Service lines are geared for a back-haul of canned goods from the Safeway-owned cannery, Cornwall Canners, Ltd., in interior Summerland.

Besides the canned goods, trucks load up with fruit and produce from the Okanagan and Fraser River Valley areas.

Cornwall Canners operates under another Safeway subsidiary, Kingston Suppliers. The cannery produces the standard Safeway brands —Town House for fancy and Taste Tells for choice.

Buy Canadian Theme Is Strongly Supported

Carrying out Canada Safeway policy of supporting Canadian producers, the chain bought over 15,000 tons of British Columbia-produced vegetables and fruit in 1956, putting a tidy $2,269,350 into hands of producers.

The Canadian West is a good supplier of basic food lines and gives Safeway the opportunity of pressing its "buy Canadian" policy

In 1956, Canada Safeway paid out $1,097,960 for flour produced in the prairie provinces of Alberta and Saskatchewan. Other purchases included 6,127,500 dozen eggs, over 5 million pounds of butter, 62,872,-247 pounds of sugar and more than 81,390,000 pounds of meats, poultry and fish.

Some produce is brought in from the United States through company buyers in United States field areas. Fresh fruits and vegetables are trucked in from United States points by outside common carriers, mainly in the off-season of Canadian production.

Safeway also goes outside the local market if it can't get the quality it wants, or if high prices make local buying uncompetitive. But that's the exception rather than the rule, said Mr. Kraft.

Some canned goods also are supplied through the company's buying office in the United States. Generally, this covers products that are not available in Canada, such as citrus fruit juice.

Purchase of specialty goods—or bargains—on the world market fall under Kingston Supplies, which buys for fall Canadian divisions.

Mr. Kraft said while there is no increasing concentration on Safeway brands in retail operations, the percentage sale of Safeway brands is increasing.

In Canadian retail operations, division managers have a comparatively free hand now in deciding whether or not to push Safeway brands.

President Kraft explains it this way: "Our first responsibility is to the public and we try to handle the kinds and brands that the public wants. We have some excellent consumer values in our own brands and offer these because we feel they are a good value, and also they are profitable to us."

But it still depends on public demand, he said.

Building Program Spurts Over 2 Years

Canada Safeway's building program has spurted in the last two years.

In British Columbia there are now 60 stores. Three new ones are under construction and another five are on the books, to be built during 1958. Three of these will be replacements.

This year will see Safeway go into three areas served by the red "S" in British Columbia: Duncan, on Vancouver Island, and Whiterock and Langley Prairie in the lower mainland area.

Safeway retail operations in British Columbia are confined to the southern and most populated part of the province. The northern areas —with scattered and less populated centers but still potential boom areas—have not yet been tapped.

Mr. Kraft said: "We have no plans to extend into the North country yet, but this has been studied and we are giving consideration to such new areas."

Last year, the company built a new $1 million warehouse in Vancouver and a $500,000 warehouse in Victoria. This puts Safeway in a better position to branch out to other areas if it decides to, Mr. Kraft said.

A new freedom in design of Safeway stores in Canada has been a big change in construction of the British Columbia stores. Division managers now hire local architects and engineers and work closely with them on new store design.

Design and construction contracts still must win approval in Oakland headquarters, but the lessening of rigid control over building design has produced a new market type building.

The high-wall steel beam design has given way to wood-laminated beam design with lower ceiling. This has cut building costs and given stores an attractive modern appearance.

Newspapers Lead Advertising Media

In retail promotion, Canada Safeway still steers the bulk of its advertising dollar to newspapers, at least two-thirds of its advertising budget.

Radio spots are geared to draw attention to specials advertised in newspaper ads and so far TV has been used only on a limited basis.

Billboards are used mainly to feature quality of produce and meats.

Increasing business and increasing competition has bulged the promotion budget in recent years. Mr. Kraft estimates that "we have spent 20 to 25 per cent more in the last few years on advertising in Canada."

In British Columbia, Safeway also has entered the contest arena, mainly because competitors have led the way.

"We subscribe to contests to be competitive, but we hope it is temporary," said Mr. Kraft.

In the latest contest promotion, four Chevrolets are being given away, one every two weeks.

The range of non-food items carried is gradually increasing. In the last half of 1957, non-foods accounted for about 4.4 per cent of total sales.

Mr. Kraft admitted that the profit margin on non-food items is higher than on food lines. But, he said, "we still feel our obligation to the public is to supply good food at money-saving prices.

"We handle non-foods only on a selective basis because our main job is to do a first class job on food—and we don't ever want to lose sight of that," he said. "Non-foods present a space problem and I don't think the sales are worth giving over too much space."

In British Columbia, the cosmetics line has shown an increase. Glassware, kitchenware, towels, nylons, garden supplies, magazines and stationery are also stocked.

Winnipeg Division Covers 76 Stores in Three Zones

The Winnipeg division of Canada Safeway coordinates activities of 76 stores in three zones, covering the Province of Saskatchewan, the Province of Manitoba and northwestern Ontario — that section of Ontario lying between the head of the Great Lakes and the Manitoba border.

The Winnipeg division's territory is the largest in the Canadian operation, both in terms of number of stores operated and area served. It is a territory of great distances and boasts few great concentrations of population.

Greater Winnipeg with a population of about 425,000 — roughly half of Manitoba's total population —is the largest market area served.

The result is that Canada Safeway operates in a territory which has long had a great deal of "small time" operations, in heavy percentage of corner grocery stores and family operations in small towns.

Better highways built in postwar years, increased mechanization of agricultural operations, new mining and industrial developments and a marked increase in the number of automobiles, have all combined with general prosperity to change mid-Canada shopping habits in recent years, however.

In non-urban areas residents now tend to travel to larger centers to do their shopping. Residents of areas near Winnipeg are now known to travel 50 to 100 miles into the Winnipeg area to do their shopping, for instance.

The end result has been that, over a 29-year period, Canada Safeway has built up an operation of large supermarkets — 10,000 square feet and over—in the metropolitan areas while continuing to serve shopping areas around towns of 2,000 and more population with smaller stores.

Safeway Leads in Area, Doing 25% of Business

Safeway is the leading chain in this area, doing an estimated 25 per cent of the total business.

Competition for the food dollar, however, is both present and in the future. Western Grocers' Shop-Easy system, with 17 stores in the Greater Winnipeg area alone, is one competitor; A&P, now operating five Greater Winnipeg stores, is another; I-G-A's Prairie operation offers a number of independents capable of drawing regional trade; Western Grocers' Red & White and Tom Boy chains operate in both urban and rural areas.

Future competition is coming from Loblaw's Groceterias. It is Safeway's competition at the Lakehead and is due to open two Greater Winnipeg stores in the near future. More is coming from Dominion stores, not yet operating in this area but with one large Greater Winnipeg store already under construction and at least five other sites marked for development.

Fighting fire with fire is a competitor's description of Safeway operations in this area. It denotes that trading stamps are being used at northwestern Ontario points because they are being used by Shop-Easy and Loblaw's stores, but not in Manitoba and Saskatchewan where only small plans have occurred.

Most apparent Safeway policy, from the consumer point of view, is the honoring of coupons issued by competitors. Each coupon published in a competitor's advertising is honored by Canada Safeway in this area. "We honor all coupons," Safeway advertising states.

The Winnipeg division is not entering any new territories this year, but is continuing to expand in the existing area. Eight new stores are planned for 1958, majority of them to serve expanding residential areas.

Many of the stores in recent years—20 supermarkets have been opened since 1948—have been in the 10,000-square-foot-or-more category but smaller stores have also been opened to serve less densely populated areas.

Despite the great distances involved in serving the Manitoba and Saskatchewan areas in particular, no great distribution difficulties have been encountered. The highway and trucking industry expansion has ensured a close connection between zone headquarters and the individual stores.

Several years ago, it was suggested Safeway had plans of moving further eastward into other Ontario points but there have been no developments in this connection.

Internal organization of the division is similar to that of other divisions throughout the company, Walter McCann, a Canadian vice-president, is general manager of the division. John A. MacAulay, partner in one of Manitoba's largest legal firms and international Red Cross officer, is another Canadian vice-president.

Three Principles Mark Employe Training Plan

Three principles, all very apparent to the customer, are the goal of the employe training program—courtesy, cleanliness and good grooming.

But before the employe makes a public appearance, there is a training period which is a combination of practice and theory.

New clerks are "told" and "shown" merchandising methods, public relations, warehousing operations, buying procedures and produce handling.

The training school has all the equipment normally found in a store and slides, films and charts are added to the curriculum to ensure a familiarity with operations before the new clerk is sent to an established store for close guidance for a number of months prior to the opening of the store for which he was hired.

Initial placement is based on the interviews and aptitude tests first offered the new employe and the company principles and aims are included in all lectures.

The training doesn't end with placement in a new store either. Work progresses under direction of the store manager and there is still a special staff to advise and direct the clerks.

Two full-time specialists, for instance, the produce and meat consultants, travel from store to store ensuring that employes are maintaining standards in meat and produce handling and display, and advising on changes and problems.

Alberta Division Seeks Larger Market Share

In line with a new policy to give divisions increased control over their economic areas, this city has become headquarters of the Alberta Division of Canada Safeway, Ltd., to lead the battle to improve the chain's share of the market in the area.

It wasn't long ago that Safeway stores in either of this province's two major cities was an unfamiliar sight. As the result of recent expansion, a total of 30 stores, 15 each in Edmonton and Calgary, and six others are now scattered throughout this province of more than a million population.

As part of Robert Magowan's decentralization program, the large Vancouver Division which included the province of British Columbia and Alberta was split. The Vancouver division now controls all the stores in British Columbia and the Alberta Division with headquarters in Edmonton under manager Walter A. Hembroff, who also is a vice-president for Canada Safeway, Ltd., services the stores and warehouses in this province.

What is the result of the split? Officials put it this way: "Since the inauguration of the Alberta Division on June 16, 1957, Mr. Hembroff has delegated more authority to the zone and district managers and given the store managers more freedom and responsibility in handling decisions at store level in line with Mr. Magowan's operating policy."

In other words, store managers operate as though they were running their own business and keep competition as keen as possible at all times.

Under the old system of zones before the Alberta division was formed, it was found that rivalry existed between Edmonton, the Capital City of Alberta, and Calgary, the province's "Oil Capital." Under the new scheme, the two divisions have drawn closer together as a team and there now exists an exchange of ideas and suggestions for better operation which apparently did not exist before.

Ranch Style Construction Featured in New Units

The many new stores which have made their appearances during recent years are built along the same lines. They all are ranch style construction with exposed interior laminated beams. Most of the stores range in size from 15,000 to 21,000 square feet with adequate parking facilities provided for at each center.

In addition, new warehouses recently were opened in Edmonton and Calgary. Here, a $750,000 warehouse was opened to serve stores in the Edmonton Division with Safeway's own brands. Included in the best sellers of the company's own line are canned goods under the label, "Townhouse" and "Tastell." Only one commodity, instant coffee, is sold under the label "Safeway."

An official of McDonalds' Consolidated Ltd., Safeway's wholesale, said that most of the canned goods are western Canadian produced and packaged. Little buying is done through the American markets except in the case of refrigerated fruits and vegetables unavailable here.

The Alberta Division continues to place emphasis on Safeway's private brand merchandise, but has always featured national brands as well.

Advertising has been spread through all media, radio, television and the press. However, newspaper advertisements have played the biggest role in the publicity budget. Frequently seen are ads plugging Safeway brand merchandise "produced and packaged in Alberta."

Following in the wake of Safeway's increased expansion is the arrival of supermarkets operated by Dominion Stores Ltd., from eastern Canada and Loblaw's Ltd. Neither of these firms has been seen in the West before, but both have acquired much property in both Edmonton and Calgary and have started building supermarkets. This apparent threat has led to increased activity in the Safeway front office.

So far, chief competitors of Safeway's in the supermarket field have been the huge groceterias operated in three large department stores, Eatons, The Hudson's Bay and Woodwards Ltd. In addition, IGA independents form an aggressive competitor here.

A NEWLY OPENED SUPERMARKET operated by Canada Safeway in Vancouver, British Columbia, was designed by local architects working with officials of the chain. A wood-laminated beam construction, which gives a lower ceiling, cuts down on the building bulk and is cheaper to construct.

13. Highlights of "The New Way"

Faster Volume Increase Seen as Next Big Test

Robert A. Magowan and his Safeway staff still face a tremendous test.

They have shown stockholders they could produce profit increases in substantial amounts. Now they must register volume increases at a faster rate than has developed since the new administration took over late in 1955. This must be done without disturbing profits.

The standards for this test have been set by Mr. Magowan himself. This year he is calling for an 8 per cent increase in volume with an increase in profits of approximately 11 per cent. For the first time, the new administration has made the volume increase the No. 1 goal. The trade can expect a volume drive unequaled in Safeway history.

Twice Mr. Magowan has set a volume goal. Both years ended short of the mark. In 1956, sales were up 2.95 per cent; 1957 sales were up 6.4 per cent. Each year, Mr. Magowan had aimed higher. He has not hidden his disappointment.

But in these two years, his staff has busied itself with cost-cutting and efficiency measures. Net result: An increase in earnings of $17 million. Earnings in 1955 totaled $13,621,803. Last year they stood at $30,906,876. Safeway's profit structure has been considerably strengthened. Thus, shareholders are not complaining that volume gains have been more gradual.

According to Mr. Magowan's philosophy, volume is a vehicle for better earnings. So far, he has been able to earn more about big volume gains.

The time is coming, however, when more streamlining, better efficiency and deep cost cuts will reach the point of diminishing returns. Then volume must become the No. 1 source of greater profits. Mr. Magowan told SUPERMARKET NEWS that a 15 per cent earnings-sales ratio "is about all our competition will permit us to realize." Earnings, after that ratio is attained, will relate directly to volume increases.

Last year, the rate of Safeway sales increase was somewhat below the industry average although it added $127,909,099 to company sales. The annual report, issued in March shows final consolidated sales of $2,117,314,394. This was an increase over the 1956 sales total of $1,989,305,295 and enough of a jump to take Safeway past the $2 billion sales level. A dollar increase of such proportions would make many a chain president happy.

Why was Mr. Magowan disappointed? There are two reasons:

1. He shot for an 8 to 10 per cent increase and didn't make it.
2. Tonnage, while up from 1956, barely equaled the record 1955 year under Lingan A. Warren.

Safeway's volume increase in 1957 would have been well over 7 per cent if the initial impact of shedding tape plans in several divisions had not been so severe. This still would have been short of Mr. Magowan's goal.

The effects of the tape plan cancellations continue through the first part of 1958 but the impact on sales is diminishing. Meanwhile, more new stores are opening; giant spring promotions are under way.

Here is the number one question in trade and financial circles:

Can Safeway make the volume performance Mr. Magowan is asking?

Some close observers answer "yes" but add "maybe not this year." Others say it can be done this year. They offer several reasons. Three deal with men, one with materials:

1. The abilities of Safeway's retail and procurement division managers.
2. The experience of the executive headquarters staff.
3. The man—Robert A. Magowan.
4. Safeway's accelerated construction and replacement program.

President Taps Pool Of Gifted Food Men

When Mr. Warren resigned as president he left behind him a valuable legacy of gifted food men. Mr. Magowan has drawn deeply from this reservoir.

The retail division managers are all Safeway veterans, raised on the Warren philosophy of "volume and more volume." Once mummified in paper work and red tape, they are now freer to move, quicker to decide. All are experienced merchandisers. They proved themselves major volume gainers under Mr. Warren; profit builders under Mr. Magowan. This is their year to combine both attributes. Their initial period of confusion is over.

They have a good idea of what Mr. Magowan is thinking, his goals, how he expects them to act. Their period of re-indoctrination has ended. On the shoulders of these men, Mr. Magowan places most of the responsibility for more volume.

The supply division managers are also the same men Mr. Warren looked to for his goods. All veterans, they now have more latitude, more authority. They know how to buy in an atmosphere of volume; all have made their divisions more profitable in the last few years.

The corporate executive staff also presents a profile of service and success under both men and philosophies. The six Safeway vice-presidents are young and aggressive. All but Ralph Brown, vice-president in charge of industrial and public relations, are Warren proteges. Mr. Brown joined the company soon after Mr. Magowan came in as chairman of the board.

They average 50 years and three months in age; have been with Safeway nearly 18 years. All started in lower capacities, worked their way up through the system. Two vice-presidents, A. Russell Griffith and William S. Mitchell, were on Mr. Warren's executive committee.

What of the man himself, Mr. Magowan? Can he produce volume as he has profits? Like his predecessor, Mr. Magowan is a vigorous, energetic man. He is a keen critic of his own actions. He sets a strong pace for himself as is indicated by the healthy volume boosts he aims for.

Those who arched their brows at the thought of a Wall Street tycoon running a food chain have been surprised at his performance to date. He shows a keenly instinctive mind for merchandising food and a flair for leadership which converts command into guidance. This was indicated in his tenure with what is now Merrill Lynch, Pierce, Fenner & Smith, the nation's largest brokerage firm.

Stiff Collar Torn Off Wall Street Operations

Merrill Lynch tore the stiff collar off Wall Street many years ago by bringing ballyhoo into the securities business. It made bankers' eyes roll but the firm took Wall Street to the common man, advertised and promoted its wares and injected the art of merchandising to Financial Row.

Mr. Magowan was a part of this conversion. He served as advertising and sales promotion manager and later as sales manager. This sense of merchandising is vital to any firm seeking volume, be it brokerage or bakery.

Mr. Magowan has this feel for merchandising. He has a pool of executives and division managers nurtured on volume selling.

These men, with the help of Safeway's construction program, should be able to set a rugged sales pace for the company. The company's new store program, which produced 186 new units last year, may equal or better that mark in 1958. If their sales totals average as high as 1957 units, they will bring better than $410 million into the fold. Probably two-thirds of them will replace old units and more than relieve the impact of sales losses sustained by closed units. Safeway's modernization program, way past the halfway mark, will continue, adding volume to each unit remodeled.

Magowan Sees Volume Goal Within Reach

Mr. Magowan believes he can reach his volume goal and still increase his net earnings ratio. Scoring 1.46 per cent of sales in 1957, Safeway's chief executive has set a goal of 1.5 per cent for 1958. This would boost Safeway's net to $34,300,500 if the 8 per cent sales increase is reached, or better than $2.80 per share. Safeway's net profit last year was $30,906,876 or $2.48 per share.

Profit reverses in tape redemption programs, where plans have been discontinued, hit Safeway late last year. Profits were running at a rate between 1.47 and 1.49 per cent of sales until late in the year when redemptions, plus the cost of several new store openings, brought it down to 1.46.

Mr. Magowan will not have far to go to reach 1.5 per cent after the effects of the tape discontinuances are gone:

- More savings may be due with faster turnover and a better cash flow.
- Building cost cuts will continue to reflect advantageously this year.
- Use of more machinery will cut costs, increase efficiency. Safeway's teletype system, for example, is now running at better than 80 per cent of capacity. At peak operation, it will allow messages to divisions for less than the cost of an airmail stamp — and offer instant communication with anyone in the company.
- A newly installed computer gives Safeway financial data for its 12-week reports in 2½ hours. It used to take 16 days.
- New stores, costly to open, are more profitable to operate. Safeway's net will be influenced by how many of this year's new stores are opened in the first half; how many late in the year.
- Fuller effects of brand consolidation, division decentralization and more authority for store managers will be felt.
- This year, Mr. Magowan will have an advantage he could not have had before: The effectiveness of an organization that is one year older under his direction.

Whether or not Safeway reaches its 1958 goals, it is one of the favored food stocks on the Exchange today. Brokers believe the company's future is bright and are stressing it.

They say the firm is in a field where growing population assures growth to any well-managed firm. They point out that Safeway has been concentrating much of its store construction in top growth areas.

Example: Fastest growing States in Safeway's territories in 1956 were Nevada, Arizona and California. Safeway opened 22 per cent of its new units in these States that year. It also led the field in establishing stores in suburban shopping areas. It has a good store total in areas such as these.

Sound Management Stressed by Brokers

Most of all, brokers stress the fact that Safeway has a sound management. A brief peek into the backgrounds of the top men under Mr. Magowan at Safeway confirms this:

Milton Selby: Here is an able food veteran who has served in many top capacities at Safeway, including president. He retired as president in 1956 but has continued as an active consultant with Safeway. He maintains an office there, sits in on top policy meetings. Mr. Magowan and the corporate staff still lean heavily on his experience.

His value to the firm is exemplified by the fact that he interrupted a trip to Europe not long ago to return to headquarters. Reason: An important decision was to be made. Mr. Magowan was unwilling to make it without Mr. Selby's insight.

At 55, Mr. Selby has had 32 years with the company, starting as assistant secretary of California Safeway shortly after joining the firm in 1926. He became secretary of the corporation in 1937. He was a vice-president from 1946 to 1955. Mr. Selby is one of the best liked by top echelon men and the rank and file. Much of Safeway's 1955-1956 reorganization came under his direction as president. He is now a director of the company and a member of Mr. Magowan's executive committee along with the six vice-presidents.

W. S. "Bill" Mitchell: The 43-year-old vice-president in charge of supply began as a clerk in the accounting department in 1936. Mr. Mitchell, among other things, is responsible for the destiny of Safeway's private label program, knows the divisions well. He served as a traveling auditor in earlier years, went to manager of the accounting division in 1948. A more rapid climb then took him to controller in 1953, vice-president in charge of present duties in 1956. He is the youngest vice-president on the staff.

Hugh Frost: He joined Safeway in 1943 as an accountant, later headed several slaughter house offices. He then moved into a headquarters post and served a brief stint as controller in 1956. He assumed his present post as vice-president in charge of advertising, personnel and research in December of that year.

A. R. Griffith: Joined Safeway the same year as Mr. Frost. Mr. Griffith, 55, began as real estate manager and went to manager of the accounting department. He served as head of personnel research before becoming a vice-president in 1950. He assumed the post of vice-president and controller in December, 1956.

George T. Burroughs: Started as

a store clerk in 1932, elevated to manager the same year. He moved to wholesale two years later, finally to the administrative office in 1940. He continued through store research, procedures, real estate departments and was elected a vice-president and director in charge of real estate four years ago. Now vice-president in charge of real estate, engineering and construction, he was given these duties in 1955.

Drummond Wilde: Secretary and vice-president, he heads the many-faceted legal department of Safeway. A 53-year-old veteran of many legal battles under Mr. Warren, Mr. Wilde has been with the company since 1931 as a lawyer. He was elected secretary in early 1955, a vice-president late in 1956.

Ralph Brown: Safeway's latest addition is in his second year as head of industrial and public relations. He formerly served with J. C. Penney Co. as director of public relations. A lawyer and ex-FBI man, he is 53 years old.

These men, working with retail and supply division managers, have the task of meeting Mr. Magowan's volume and profit goals.

Warren Was a Powerful Safeway, Industry Force

The dramatic changes at Safeway stores since 1955 have somewhat obscured many of the results of the Lingan A. Warren regime. His accomplishments, however, stand as some of the most impressive in the American food business.

In the 22 years he was president, Mr. Warren became the most colorful and controversial character in the grocery business. His retirement deprived the food industry of one of its last rugged individualists.

Mr. Warren's most durable contribution centered around his ability to increase sales. When he joined Safeway in 1931 as vice-president, the company was at the $200 million sales mark. At his retirement in 1955 after being president 22 years, Safeway was standing near the $2 billion level. Most of this increase was not due to mergers. It came through the exhaustive promotion and expansion policies of Mr. Warren.

His average annual volume increase was 10.38 per cent. His formula: Volume plus volume equals success.

Mr. Warren did not ignore the profit picture, but he believed volume was the master key to higher earnings; coupled with profitable private label manufacturing and distributing companies. He made a market for Safeway products through volume. The higher the retail sales, the better the manufacturing profit.

If most outside brand items gained prominence on Safeway shelves it was because they could produce volume. If 20 per cent of a line produced 80 per cent of the sales, Mr. Warren added the 20 per cent. The rest of the line generally received short treatment.

There is a lot more to the Warren character than his volume philosophy, however.

In brief: Mr. Warren was a fighter. He took on anyone he thought hindered Safeway's progress—be it Federal Government, giant packer or competitor. He was not afraid of anything or anybody.

What creates the fight in a man —and what does it do to his company? Without this aggressive trait, Safeway may not have survived the hard periods which beset industry during his tenure.

He assumed the presidency during the great depression. The day was May 21, 1934, when growing tax levels and wobbling consumer income were consuming many companies. He had been with Safeway four years after a background in the lumber business.

The times made Mr. Warren the fighter he became. One great obstacle after another rose to block Safeway's growth. Mr. Warren met them head-on.

His first great fight—and victory, came soon after he was named president. Anti-chain sentiment had grown to peak heights. Chain store taxes were proposed that would have throttled the life of such chains as Safeway.

Lingan Warren joined Charles Merrill and M. B. Skaggs, Safeway founders, in fighting this legislation. It was a great victory—and many retailers concede that this victory made it possible for them to survive and grow.

In 1941, M. B. Skaggs retired as chairman of the board and left Mr. Warren as top company executive. Shortly afterward, World War II began. Safeway met an even more serious threat: Frozen prices and rising costs. Supply sources began to dry up. Safeway found its supplies waning.

Here, Mr. Warren vowed that he would never be caught short again. He began to expand and diversify supplier divisions, making them free-standing companies. The company entered the meat packing and slaughtering business. Safeway shelves blossomed with dozens of new labels and items every year.

Two years after the war ended, Safeway passed the $1 billion marker. The Korean conflict brought many of the World War II problems back again—but Mr. Warren was better prepared. He had a brace of supplier companies to assure a flow of goods.

Some of Mr. Warren's greatest legal battles arose during and after this period. His fights over trade practices increased. The size of his adversary did not influence the ferocity with which he attacked them. The chain store tax fight in the 1930s had left a great impression on Mr. Warren. An "insurmountable object" had been overcome. Nothing ever looked impossible to him again. This must be considered when Mr. Warren is criticized for his rebukes of trade or Government practices.

One business magazine called him "a lonely Don Quixote, tilting at a forest of windmills." The description did not really fit Mr. Warren.

None of his foes were imaginary, none of the fights were really hopeless. The truth of the comparison lies in the word "lonely." Few grocers rose individually to fight alongside Mr. Warren on such issues as the excess profits tax and OPS practices which hit the grocery trade from all sides. If all grocers had fought controls, higher taxes, couponing and other matters generally considered negative to the retailer would the victories have been won?

Mr. Warren's efforts were not solely devoted to increasing volume and fighting what he considered "trade evils." In his tenure, he initated many radical changes in food merchandising which are common today.

Key Figures Tabulated on Safeway Operation

A picture may be worth 10,000 words—but a figure or percentage in the marketing and distribution fields can sometimes tell even more. Therefore, some of the key figures on Safeway operations are tabulated below.

Some of the statistics are from Safeway's annual report, issued in March, 1958. All others were published by SUPERMARKET NEWS during the series, "The New Way at Safeway." Some of these were made public by the chain for the first time for the series.

Key: (a) Adjusted for stock split; (b) Approximate.

	1957	1956	1955
Sales	$2,117,314,394	$1,989,305,295	$1,932,243,202
Sales increase	6.4%	2.95%	6.55%
Profit before taxes	$65,017,646	$53,361,450	$27,330,427
Profit after taxes	$30,906,876	$25,406,310	$13,621,803
Earnings per share (a)	$2.48	$2.14	$1.08
Average gross profit rate expressed as a percentage of sales	17.99%	17.75%	15.91%
No. stores end of year	2,033	1,981	1,988
New stores opened	186	93	104
Old stores closed	134	100	114
Average weekly store volume	$20,028	$18,760	$18,274
Total inventory at cost or market, whichever lower	$150,122,361	$149,761,023	$155,819,585
Cash	$45,539,848	$49,581,091	$60,000,926
Current assets	$239,788,759	$238,191,133	$263,598,336
Asset-liability ratio	1.90	1.80	1.57
Working capital	$113,347,440	$105,963,556	$95,584,766

	1957	1956	1955
Retail ad expenditures (b)	$17 million	$17 million	$14.9 million
Safeway Private brand promotion from headquarters (b)	$4.1 million	$4.1 million	$7.7 million
Volume breakdown, by percentage: New line grocery department (b) incl. all non-foods	64.3%	approximately the same	approximately the same
Average gross sales	slightly under 30%	30%	unknown
Per cent of total company sales	3.25%	3%	unknown
Non-Foods Breakdown:			

	1957	1956	1955
Breakdown of items by company sales			
Health and beauty aids	1.75% (first half only)	1.5%	unknown
Magazines and Books	0.5%	0.5%	unknown
Miscellaneous (housewares, gifts, etc.)	1.0%	1.0%	unknown

In 1956, the average store devoted 7.5 per cent of total floor area to non-foods, grossing $6 per square foot per week. These totals are not known for other years.

	1957	1956	1955
Meat (b)	24.2%	approximately the same	approximately the same
Produce	11.5%	approximately the same	approximately the same
Volume breakdown by dollar and department grocery sales total	$1,361,500,000	$1,279,123,300	$1,242,432,400
Grocery breakdown:			
Non-foods (b)	$68,812,700	$60,000,000	unknown
Private label merchandise (b)	$22 million	$20 million	$19.5 million
Frozen foods, totals (b)	$85.5 million	$80 million	$77 million
Frozen foods, Safeway labels (b)	$53.5 million	$50 million	$48 million
Meat total sales (b)	$512,314,000	$481,400,000	$467,600,000
Percentage breakdown (b):			
Red meats (b)	69%	unknown	unknown
Poultry	21%	unknown	unknown
Fish and processed meats (b)	10%	unknown	unknown
Produce total sales (b)	$243,500,000	$228,500,000	$222,500,000
Safeway expansion and modernization (b)			
Total (b)	$77.2 million	$63 million	$107 million
Land (b)	$3 million	$3.8 million	$25.6 million
New buildings retail, plants, warehouses, etc. (b)	$40.2 million	$31.7 million	$44.5 million
Equipment	$31.3 million	$25.2 million	$33.7 million
Modernization	$2.7 million	$2.3 million	$3.2 million
Cost per square foot (b)	$10.25	$10.60	$11.74
Planning and construction time per retail unit	11½ months	11½ months	24 months

Safeway Eyes 8% Sales Hike, 1½% Profit Ratio for 1958

Robert A. Magowan, chairman of the board and president of Safeway, said the chain is aiming for an 8 per cent increase in sales, with a 1.5 per cent ratio of profit to sales, as 1958 goals.

He told SUPERMARKET NEWS in an interview at Oakland, Cal., headquarters that the sales target, slightly higher than the 6.4 per cent gain of 1957 that brought Safeway sales to $2.117,314,394, would give the company "all the volume our present facilities entitle us to."

The 1.5 per cent profit ratio, Mr. Magowan noted, "is about all our competition will permit us to realize."

The interview questions and answers follow:

Question: Is it safe to assume that Safeway will shoot for a 5 to 10 per cent increase in 1958?

Mr. Magowan: We are shooting for an 8 per cent sales increase in 1958. The way sales have been going thus far, we might not make it, but I still think we have a chance.

Question: Is a 1.5 per cent profit-sales ratio a reasonable 1958 goal?

Mr. Magowan: A profit of 1.5 per cent of sales is our objective.

Question: Were you satisfied with 1957 tonnage figures?

Mr. Magowan: I was not satisfied with 1957 tonnage. There always are explanations or what I call excuses. Here is one of them: We stopped tape plans where effectiveness had been lost. Our volume in these areas slipped, and it is still below the volume attained when we were giving tape premiums. But we're closing the gap, and I am sure we will be on the way up again even before the expiration dates for tape redemptions.

Question: Will you put more stress on higher sales and tonnage this year than in 1957?

Mr. Magowan: We always stress sales, but I do not believe in going after volume by giving merchandise away. The larger your sales, the harder it is to get large percentage increases. If we reach our 1958 sales objectives, I would think we were getting all the volume our present facilities entitle us to. Our pricing policy is designed to make prices available to our customers which are set at the lowest points that will yield a reasonable profit—with the objective that when they have made their grocery purchases at Safeway, the value of their grocery dollar will be greater than it would be if their grocery purchases had been made elsewhere.

Question: Where do Safeway's major weaknesses lie today?

Mr. Magowan: I once asked this same question of the president of a major soap company about his operations and he simply answered it with the name of his company's major competitor. Perhaps I could add that, in my opinion, we suffer at Safeway from having lagged behind the trend toward shopping centers.

Question: Where have the greatest improvements taken place in the past two years?

Mr. Magowan: Our greatest improvement has come through the release of the brains and imaginations of the able operators in charge of our retail facilities by permitting them to run our business locally without interference from headquarters. Having the front-line authority to make decisions, they have proved they are accountable in terms of responsibility. Of course, we have stressed meat and produce operations; we

ROBERT A. MAGOWAN: "We will try for better productivity in every phase of our operations."

consider those departments the chief prop for our company reputation. We also have cut out a lot of red tape.

Question: Will Safeway be able to stay out of the banks in 1958? Will there be any need of new financing?

Mr. Magowan: I believe we will not have to resort to any bank borrowing in 1958; neither do I see any need for financing of any kind.

Question Stock brokers are hinting a dividend increase. Is one planned?

Mr. Magowan: No comment. You'll have to do your own speculating on that one.

Question: What would you list as your most important objectives in 1958 and how do you hope to achieve them?

Mr. Magowan: Our chief objective in 1958 is to attain that sales goal. The next one is to make a reasonable profit, and I have indicated that 1.5 per cent is our objective. Although I don't think it is adequate, it is about all our competition will permit us to realize.

The next objective is to open a minimum of 150 new stores, and I hope that figure will be nearer 200.

A fourth objective is to continue our program to develop our operating people as merchants, and to emphasize the opportunities for merchandising through such tools as advertising and promotion of all kinds. Newspaper advertising is the most effective of these tools.

Magowan Lauded for Sound Rebuilding Of Safeway by Former Vice-President

How does an ex-Safeway executive feel about the major changes in policy and the significant volume-profit advances of the national chain since Robert A. Magowan assumed control?

For such a slant, SUPERMARKET NEWS queried Lawrence Giles, executive vice-president of the chain in 1942 when he departed for strategic armed forces service in Washington, D. C. Now residing in Laguna Beach, Cal., Mr. Giles was frank in his praise of Mr. Magowan—"In all my experience I've never seen a faster turnaround in a large corporation sparked by a single man."

Mr. Giles added, however, it is one thing to merely wield the axe for short-range, immediate gains and another to rebuild a large company along sound lines for long-range potential. "Everything Mr. Magowan has done is sound with the far view in mind rather than only immediate objectives," Mr. Giles said, adding that he was particularly pleased since he was still a stockholder.

The former executive believes the trend toward decentralization and the termination of lawsuits were examples of such sound thinking. He also feels that the division manager and store manager meetings slated by Safeway are excellent means of keeping all personnel informed.

Discussing the meetings of store managers, Mr. Giles said, "There's a typical Magowan touch. Ideas can be exchanged between managers from the East and West for the advancement of all." The importance of the store manager in the Safeway organization was also pointed up by Mr. Giles, for "as the store gets bigger, the manager becomes more important," he noted.

Regarding the reduction of private labels, Mr. Giles agreed with Safeway's decision. "Private labels definitely have a place—but a reasonably limited place."

He said the test of private label merchandise should involve quality equal to nationally branded merchandise; a lower price than nationally branded merchandise; and more profit to the chain than nationally branded merchandise.

Mr. Giles also pointed out that Mr. Warren had played an important part in stemming the movement in the 1930s for heavy taxation of the chains.

The former Safeway executive, a vice-president at the time, was directly involved in this controversy.

Safeway Uses House Mag

Safeway's broad expanse, covering 20 States and five Canadian Provinces, presents a constant problem: How to maintain communications with the company's 55,000 employes.

Only a small proportion of Safeway workers have ever seen the headquarters building in Oakland or met members of the top executive staff. To maintain a two-way flow of ideas and information, particularly at the store level, Safeway relies on its monthly company magazine, Safeway News.

In the economy drives which have thus far characterized Robert A. Magowan's administration, Safeway News came under close scrutiny. The company set out to determine its worth. A poll of division managers was made to conclude whether the publication was doing its job. Division managers voted unanimously to continue the publication on its present basis.

Its worth could not have received better confirmation. The publication is charged to each division in proportion to its total number of employes. It is counted as a division expense and the poll was taken when divisions were highly conscious of the need to cut costs. Yet no division manager wanted to eliminate it.

The magazine broadened its news coverage some years ago by cutting out the chit-chat columns and giving more room to company operations.

While many house organs are dedicated to "whitewashing" the company, Safeway News has included controversial news items in its columns; more so in the past few years. Recent articles have reported such touchy subjects as the conclusion of the Government's anti-trust suit against Safeway and a law suit filed against the company by W. A. Christensen, former Los Angeles division manager.

In neither story did Safeway slant its side of the arguments. In fact, the report on Mr. Christensen's litigation gave only Mr. Christensen's charges — none of Safeway's defense.

Mr. Magowan also makes sure every company bulletin and press release is sent to Abe Lemes, Safeway News editor. In earlier days, not all bulletins reached the publication's news desks.

Despite its heavy press run and magazine composition, the 20-page glossy news magazine costs far less than the average house organ. An impartial survey, conducted by the American Association of Industrial Editors, showed that the average house organ costs 32 cents a copy. Safeway News costs are substantially lower than that, the company said.

Mr. Lemes has a background in daily and weekly newspapers, including the co-founding of the Albany, Cal., Times, and service as its editor. The 52-year-old journalist has a staff of three as well as 68 news representatives throughout the company.

A 1954 survey indicated that readership exceeds 80 per cent of regular subscribers — a better-than-average readership total. With the change in management, readership is expected to improve for three reasons:

1. A heightened employe curiosity regarding changes in the company.

2. Introduction of material previously considered "too controversial."

3. Action on the part of Mr. Magowan to make sure employes are apprised of company movements.

The publication concentrates on company operations, policies, financial news and employe civic activities. "How to" pieces are carried regularly on such themes as cost-cutting, safety and accommodating customers.